

SEPTEMBER 2020

Creative Economies in the Indo-Pacific and Covid-19

The Show Must Go On

PROJECT DIRECTOR
Daniel F. Runde

AUTHORS
Richard M. Rossow (*Case Study on India*)
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A Report of the CSIS Project on Prosperity and Development

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Acknowledgments

The authors would like to express their sincerest gratitude to all the individuals representing sectors of the creative economies in Australia and India who participated in interviews for this report.

A special thank you to Rebecca Allen, Thangavel Palanivel, Ambassador Tony Wayne, and William Sweeney for reviewing early versions of this document.

The authors would also like to express their sincere gratitude to Emily Unrue, Erol Yayboke, and Sundar R. Ramanujam from CSIS Project on Prosperity and Development as well as Kriti Upadhyay and Aarushi Jain from CSIS Wadhwani Chair for U.S.-India Policy Studies for their relentless administrative and research support.

Finally, the authors would like to recognize the characteristically stellar efforts of Jeeah Lee and her team at the CSIS iDeas Lab, who have worked tirelessly to edit and publish this document in record time despite the challenges imposed by the Covid-19 pandemic.

This report was made possible thanks to the generous support and cooperation from the Ministry of Culture of Taiwan.

Contents

Executive Summary	V
Disruption and Resilience: Changes to Film, Gaming, Music, and Fashion in the Face of Covid-19	1
Lights, Camera, Covid: Adaptation of Film and Television Industries	4
Leveling Up: Resilience to Covid-19 in the Video Game Industry	8
Fixing a Broken Record: Disruption and Adaptation in the Music Industry	11
The Devil Wears Nada: An Uncertain Future for the Fashion Industry	14
How to Win Friends and Influence Countries: Creative Economies as a Soft Power Resource	18
Setting the Stage for the Creative Economy: Country Case Studies	21
Lessons from the Indo-Pacific	29
The Role of the Creative Economy in the New Southbound Policy	40
About the Project Director and Authors	45

Executive Summary

Historically, creative industries have been more resilient to economic shocks than other sectors of the global economy.¹ In the face of the 2008 financial crisis, global trade declined by 12 percent, yet trade in creative goods and services continued to grow.² The Covid-19 pandemic is no exception when it comes to the recovery of the creative economy. This report focuses on four major creative industries—film and television, gaming, music, and fashion—that have adjusted well to the pandemic and have the potential to rise from the crisis in a position of strength. In most sectors, the pandemic has taken a heavy toll, including in the Indo-Pacific region. Global merchandise is on track to shrink by 12 to 32 percent this year, straining the export-oriented economies of East and Southeast Asia.³ However, this study of creative industries in the Indo-Pacific region demonstrates significant resilience and proves the central role of creative industries in driving the global recovery from Covid-19.

The creative economy provides countries with a key source of soft power as it serves as a conduit for association and cultural connection, which are increasingly important in a socially distanced world. Whether it is singing a song or playing a video game, social distancing has emphasized the impact of creative economies on peoples' mental health and general well-being. Given the economic and social importance of creative sectors, industry leaders across the Indo-Pacific should share best practices on adapting to the pandemic. Governments can support the creative economy without crowding out other sectors by providing public goods, protecting Indigenous artists, and considering incentives for creative industries.

The first section of this report illustrates how the creative economy has shown resilience during the Covid-19 pandemic.⁴ Despite the disruption to industry at large, the film and television industry in

1 UNDP and UNCTAD, *Creative Economy: A Feasible Development Option* (New York: United Nations, 2010), https://unctad.org/en/Docs/ditctab20103_en.pdf.

2 Ibid.

3 “Trade set to plunge as COVID-19 pandemic upends global economy,” World Trade Organization, April 8, 2020, https://www.wto.org/english/news_e/pres20_e/pr855_e.htm.

4 The United Nations Conference on Trade and Development (UNCTAD) defines creative goods as art, crafts, audiovisuals, design, digital fabrication, new media, performing arts, publishing, and visual arts. Creative services are services with a significant creative component: (1) advertising, market research, and public opinion services; (2) architectural, engineering, and other technical services; (3) research and development services; (4) personal, cultural, and recreational services; (5) audiovisual and related services; and (6) other personal, cultural, and recreational services; UNCTAD, *Creative Economy Outlook: Trends in International Trade in Creative Industries* (Geneva, Switzerland: United Nations, 2018), 13, https://unctad.org/en/PublicationsLibrary/ditcted2018d3_en.pdf.

the Indo-Pacific region has demonstrated extraordinary resilience, with more people around the world turning to streaming services for at-home entertainment as movie theatres close and film releases are delayed. The success in 2019 of the South Korean film *Parasite* could signal a growing international appreciation for Asian culture, and the region's film industry can recover better by following that trend.

The gaming industry has faced similar obstacles, with brick-and-mortar stores closing, but has also found opportunities for growth as people spend more time online. March 2020 broke the record for global mobile game downloads in a single month, and of the top 10 most downloaded games in April, six were produced by Indo-Pacific firms.⁵ The music industry has suffered due to lost ticket sales, but it has also found opportunities for recovery. For example, the music industry is on track to lose \$8.9 billion if live concerts are cancelled through the end of 2020, but artists and producers have been able to capitalize on an existing trend toward streaming.⁶ Between 2013 and 2018, streaming's share of total music revenue rose from 9 to 47 percent.⁷

Finally, the fashion industry has been hit hardest due to its reliance on in-person purchases, a fall in demand for clothing, and supply chain disruptions. It remains to be seen whether Indo-Pacific countries can take advantage of the post-pandemic recovery as firms move their supply chains away from China and toward other garment manufacturers.

In each story of resilience, there are common trends, particularly the role of the Fourth Industrial Revolution (4IR). With a focus on automation, artificial intelligence, and new forms of connectivity, 4IR combines cutting-edge innovations with existing technology.⁸ Rather than seeing this transition as a threat, creative industries view 4IR as an opportunity and have adopted the digital trends and their benefits. E-commerce, social networking, and digital streaming services have been key to the successful transformation of media, gaming, music, and fashion.

The second section of the report examines another dimension of the creative economy: soft power—the ability to attract other actors toward a desired action. Over the last few years, the China has primarily used hard power—that is, military and economic coercion—to advance its interests in the Indo-Pacific region.⁹ China has not only invested in military capabilities in the region but has also launched the Belt and Road Initiative (BRI), an ambitious network of infrastructure investments located primarily in Asia. To counter malign influence in the region, the United States and several governments in the Indo-Pacific have launched their own regional strategies. The United States released its *Free and Open Indo-Pacific Strategy* in November 2017, which employs three pillars of foreign policy reform: governance, economics,

5 Craig Chapple, "Top Mobile Games Worldwide for April 2020 by Downloads," Sensor Tower, May 12, 2020, <https://sensor-tower.com/blog/top-mobile-games-worldwide-april-2020-by-downloads>.

6 Pollstar, "Pollstar Projects 2020 Total Box Office Would Have Hit \$12.2 Billion," Pollstar, April 3, 2020, <https://www.pollstar.com/article/pollstar-projects-2020-total-box-office-would-have-hit-122-billion-144197>.

7 Stefan Hall, "This is How Covid-19 is Affecting the Music Industry," World Economic Forum, May 27, 2020, <https://www.weforum.org/agenda/2020/05/this-is-how-covid-19-is-affecting-the-music-industry/>.

8 See CSIS' Essay Anthology for more on the Fourth Industrial Revolution: Daniel F. Runde et al., *Beyond Technology: The Fourth Industrial Revolution in the Developing World* (Washington, DC: CSIS, May 2019), <https://www.csis.org/analysis/beyond-technology-fourth-industrial-revolution-developing-world>.

9 Joseph S. Nye Jr., "Soft Power: Propaganda Isn't the Way," *New York Times*, January 10, 2003, <https://www.nytimes.com/2003/01/10/opinion/IHT-soft-power-propaganda-isnt-the-way.html>.

and security.¹⁰ Since then, Australia, France, India, Japan, and South Korea have launched similar plans. To maximize their effectiveness, however, these governments should look beyond military and economic strength. The creative industries play a key role in projecting soft power, particularly in showcasing countries' values and ideas for global audiences.¹¹

The third section turns to two case studies of Indo-Pacific countries whose creative economies have adapted well to Covid-19 but also hold great potential for further resilience. With the virus originating in Wuhan, China, the social, economic, and health impacts on the Indo-Pacific region have been staggering. In India, for example, 120 million people lost their jobs within two months of a government-imposed shutdown; many more reported that they would be unable to pay rent for the coming month.¹² Economies in Southeast Asia could experience their worst economic performance in 40 years as supply chains, tourism, and demand for regionally produced textiles have collapsed.¹³ Yet the Asia-Pacific is also the world's leading region in the creative and cultural industries, having surpassed Europe and North America in 2013.¹⁴ This study examines how creative industries in India, a lower-middle-income economy, and Australia, a high-income economy, have adapted to Covid-19. The cases demonstrate how leaders in the creative industry and government can best promote resilience.

The final section offers some ideas how to facilitate the ongoing success of the creative economies of the Indo-Pacific—both during and after the pandemic—and maximize resilience and prosperity. Further, the report concludes by exploring how the creative economies can be an integral driver of the New Southbound Policy and help secure a stronger, freer, and more open Indo-Pacific.

10 U.S. Department of State, *A Free and Open Indo-Pacific: Advancing a Shared Vision* (Washington, DC: U.S. Department of State, November 4, 2019), 30, <https://www.state.gov/wp-content/uploads/2019/11/Free-and-Open-Indo-Pacific-4Nov2019.pdf>.

11 Nye, "Soft Power."

12 "Indian states are rushing to undo laws protecting workers," *The Economist*, May 18, 2020, <https://www.economist.com/asia/2020/05/18/indian-states-are-rushing-to-undo-laws-protecting-workers>.

13 OECD, *Developing Countries and Development Co-operation: What Is at Stake?* (Paris: OECD, April 28, 2020), 4, https://read.oecd-ilibrary.org/view/?ref=132_132637-tfn40fwe1w&title=Developing-countries-and-development-co-operation_What-is-at-stake.

14 Ernst and Young, *Cultural Times: The First Global Map of Cultural and Creative Industries* (London: Ernst and Young, December 2015), 32, https://en.unesco.org/creativity/sites/creativity/files/cultural_times_the_first_global_map_of_cultural_and_creative_industries.pdf.

Disruption and Resilience: Changes to Film, Gaming, Music, and Fashion in the Face of Covid-19

Like other industries, creative economies have been disrupted by Covid-19 and the associated social distancing policies. However, even in the face of rapid changes, many creative industries around the world have shown remarkable resilience. In order to prevent the spread of the virus, most governments ordered their citizens to stay at home and cancelled events that would draw large crowds. Fear of the virus and the resulting regulations have changed the way that people around the world, including in the Indo-Pacific, consume and engage with cultural products.

Companies and organizations in the creative industries have been forced to close movie theaters, theater halls, concert venues, film festivals, and other events conducive to transmission. Communities have had to suspend traditional festivals and gatherings, while cultural centers have shut their doors. Retail stores, selling everything from games to clothing, have had to close, decrease their hours of operation, and limit the number of customers and workers that can enter. Many creative businesses around the world are in different phases of their Covid-19 responses, thus making the impacts vary greatly by geographic location and sector. While this crisis has created a structural threat to the survival of many firms and workers in cultural and creative production, it has also created opportunity for many other creative companies.

As performance venues and brick-and-mortar shops have declined, online services and innovative projects have taken their place. Rather than visiting a traditional movie theater, many people are watching films at home through streaming platforms. In the United States, drive-in movie theaters are even making a comeback.¹⁵ This year, video game companies such as Activision Blizzard and Electronic Arts have seen their stock prices increase by 20 percent and 8 percent, respectively, due to increased engagement.¹⁶

15 Kevin Polowy, "Are drive-in movie theaters poised for comeback amid coronavirus crisis?," Yahoo News, March 20, 2020, <https://news.yahoo.com/drive-in-movie-theaters-coronavirus-144712828.html>.

16 Jon C. Ogg and Chris Lange, "Here are 40 solid stocks of companies thriving through the coronavirus recession," *USA Today*, May 15, 2020, <https://www.usatoday.com/story/money/2020/05/15/40-solid-stocks-of-companies-thriving-through-the-covid-19-recession/111701046/>.

Arts and crafts makers are turning to e-commerce platforms such as Etsy to sell their handmade goods while travel is restricted and non-essential stores are closed.¹⁷ Etsy's stock has increased by 78 percent this year, and the platform's vendors have become a major source of handmade face masks.¹⁸ Consumers are spending more time on their mobile devices, with worldwide app downloads reaching 33.6 billion in the first quarter of 2020, an increase of 20 percent from last year.¹⁹ While some of these consumer preferences may be only temporary, companies within the creative industries must consider shifting their business models to adapt to some of these changes. Industry leaders should share best practices, especially around creative uses of technology and rethinking their country's comparative advantage during the Fourth Industrial Revolution (4IR).

17 Ibid.

18 Ibid.

19 Jonathan Briskman, "Q1 2020: Store Intelligence Data Digest," Sensor Tower, April 15, 2020, 2, <https://sensortower.com/blog/q1-2020-data-digest>.

Lights, Camera, Covid: Adaptation of Film and Television Industries

The film industry is a significant value creator, but Covid-19 restrictions have upended the industry's success. While the industry is growing and offers a significant source of employment in many countries, its economic contribution is also substantial, with global box office revenues reaching an all-time high of \$42 billion last year alone—about one-third of the estimated \$136 billion total value of global film production and distribution.²⁰

However, Covid-19 closures and safety protocols have closed cinemas and halted production, thus threatening this success. Two of the countries that have been hardest hit by the virus—the United States and India—also represent the two largest film markets in the world.²¹ Producers and executives have had to respond and readjust quickly in order to protect their investments. Some have opted to postpone releases, such as the latest James Bond movie, *No Time to Die*, or *Peter Rabbit 2*, while others have chosen to speed up movie releases on streaming platforms, such as Universal's *Birds of Prey* and *Invisible Man*.²² Streaming services, however, are often a flawed substitute for box office releases, especially for high-budget movies. Estimates suggest that the film industry could lose as much as \$5 billion this year from diminished box office revenue and impacted production due to the Covid-19 outbreak.²³

Despite the major challenges, many television and film producers have shown remarkable adaptation, particularly in the Indo-Pacific. Organizers of the Sydney and Taiwan Film Festivals, for example,

20 Stefan Hall and Silvia Pasquini, "Can There Be a Fairy-Tale Ending for Hollywood after Covid-19?," World Economic Forum, July 23, 2020, <https://www.weforum.org/agenda/2020/07/impact-coronavirus-covid-19-hollywood-global-film-industry-movie-theatres/>.

21 Chris Lee, "Coronavirus Will Have 'Disastrous' Effects on the Movie Business," Vulture, March 6, 2020, <https://www.vulture.com/2020/03/coronavirus-will-have-disastrous-effects-on-movie-business.html>.

22 Alex Ritman and Pamela McClintock, "'No Time to Die' Release Delayed Due to Coronavirus Outbreak," *Hollywood Reporter*, March 4, 2020, <https://www.hollywoodreporter.com/heat-vision/bond-movie-no-time-die-delayed-due-coronavirus-1282170>; Tom Grater, "'Peter Rabbit 2' Global Release Delayed Five Months To Avoid Coronavirus Disruption – Update," *Deadline*, March 10, 2020, <https://deadline.com/2020/03/peter-rabbit-2-release-delayed-coronavirus-disruption-1202878200/>; and Chris Lee, "Coronavirus Is Pushing Movies Out of Theaters and Online Faster Than Ever Before," Vulture, March 17, 2020, <https://www.vulture.com/2020/03/coronavirus-is-pushing-movies-online-faster-than-ever-before.html>.

23 Scott Roxborough, Patrick Brzeski, and Pamela McClintock, "Global Film Industry Facing \$5 Billion Loss Amid Coronavirus Outbreak," *Hollywood Reporter*, March 2, 2020, <https://www.hollywoodreporter.com/news/film-industry-facing-5-billion-loss-coronavirus-outbreak-1282038>.

moved their events online in the summer of 2020 rather than canceling the programs.²⁴ The Busan International Film Festival, the largest of its kind in Asia, is scheduled for October 2020. As it takes precautions to protect the health and safety of attendees, the festival is on track to receive more applications than ever before.²⁵

Streaming services such as Netflix, YouTube, Amazon Prime Video, Disney +, Hulu, Apple TV, and HBO have seen spikes in daily traffic, increasing the demand for original content.²⁶ Netflix reports that its new movie *Extraction*, featuring Australian actor Chris Hemsworth, was watched by 90 million viewers in the first four weeks after release and is on track to reach more viewers than any other Netflix original film.²⁷ While the main plot takes place in Dhaka, Bangladesh, *Extraction* was mostly filmed in Mumbai and Ahmedabad, India, with additional locations shot in Thailand.²⁸ Global film locations also generate additional economic benefits through other means, such as tourism. *Lord of the Rings* and *The Hobbit*, for example, have not only boosted New Zealand's robust film industry but also established a tourist industry around the films' famous villages and sets.

While many countries' film industries, such as in China and India, are large enough that overseas expansion is unnecessary, the growth of the streaming industry presents many Indo-Pacific countries with an opportunity to reach larger audiences than ever before. Netflix is now available in over 190 countries, while HBO is available in 50 countries, half of which are in the Indo-Pacific.²⁹ As streaming services develop more original films and television series, they should look locally for content, especially in the Indo-Pacific. This could include filming more movies and television shows in the region, as well as hiring more directors, writers, and actors from the Indo-Pacific.

Locally sourced content would engage audiences in the region while also potentially attracting consumers in the rest of the world. Although U.S. interest in foreign films declined in the early 2010s, the recent success of the South Korean film *Parasite*, the U.S.-Mexican production *Roma*, and the Spanish television series *Élite* and *La Casa de Papel* could signal a growing appetite for international content.³⁰ With a global gross of over \$236 million, *Crazy Rich Asians* is the highest-grossing romantic

24 "67th Sydney Film Festival: Virtual Edition and Awards 10–21 June," Sydney Film Festival, May 4, 2020, <https://www.sff.org.au/info/blog/67th-sydney-film-festival-virtual-edition-and-awards-10-21-june/>; and Chiu Te-cheng and Evelyn Kao, "Taiwan Film Festival in Sydney to Go Online," Focus Taiwan, July 9, 2020, <https://focustaiwan.tw/culture/202007090011>.

25 "25th Busan International Film Festival Call for Submissions," Busan International Film Festival, June 4, 2020, https://www.biff.kr/eng/artboard/mboard.asp?Action=view&strBoardID=9611_05&intPage=1&intCategory=0&strSearchCategory=|s_name|s_subject|&strSearchWord=&intSeq=75530.

26 Ella Koeze and Nathaniel Popper, "The Virus Changed the Way We Internet," *New York Times*, April 7, 2020, <https://www.nytimes.com/interactive/2020/04/07/technology/coronavirus-internet-use.html>.

27 Netflix defines a viewer as any member account that watches for at least two minutes. Brandon Katz, "Why 'Extraction' Is Poised to Become Netflix's Biggest Original Film Ever," *Observer*, May 4, 2020, <https://observer.com/2020/05/netflix-extraction-90-million-views-summer-movie-season-chris-hemsworth/>.

28 Diksha Sundriyal, "Netflix's Extraction Filming Locations," Cinemaholic, April 24, 2020, <https://www.thecinemaholic.com/netflix-extraction-filming-locations/>.

29 "Where is Netflix Available," Netflix, <https://help.netflix.com/en/node/14164>; and "About HBO," HBO, <https://www.hbo.com/about/faqs>.

30 Anthony Kaufman, "The Lonely Subtitle: Here's Why U.S. Audiences Are Abandoning Foreign-Language Films," *IndieWire*, May 6, 2014, <https://www.indiewire.com/2014/05/the-lonely-subtitle-heres-why-u-s-audiences-are-abandoning-foreign-language-films-27051/>; and Mahita Gajanan, "These Are the Most Popular Netflix Shows and Movies—According to Netflix," *Time Magazine*, July 16, 2020, <https://time.com/5697802/most-popular-shows-movies-netflix/>.

comedy of the past decade.³¹ As the first Hollywood movie with an all-Asian cast and an Asian-American lead in 25 years, *Crazy Rich Asians* had representation on and off screen and demonstrates a significant new direction for both the U.S. film industry and U.S. audiences.³²

Box 1: Does Parasite Represent an Expansion of Asian Culture?

In February 2020, the South Korean film *Parasite* surprised many by winning an Oscar for Best Picture at the 92nd Academy Awards—becoming the first-ever non-English-language film to win.³³ It also became the first film to win with an entirely Asian cast, and Bong Joon-ho, the film's South Korean writer-director, took home the Academy Award for Best Director.³⁴ All in all, *Parasite* won four Oscars, more than any other film in 2020.³⁵ *Parasite* also won top prizes at the Cannes Film Festival, the Sydney Film Festival, the Screen Actors Guild (SAG) Awards, and the British Academy of Film and Television Arts (BAFTA) Film Awards.³⁶

Parasite also appealed to mass audiences. After earning \$52.8 million in the United States and over \$245.9 million worldwide, it ranks as the fourth-highest-grossing foreign film of all time in U.S. theaters.³⁷ To explain *Parasite*'s success, some commentators have cited growing Western interest in South Korean culture, including Korean pop music (K-pop), makeup and fashion products, and other films such as *Train to Busan*.³⁸ Other observers point to the greater focus on diversity and representation in the film industry that emerged from the #OscarsSoWhite movement.³⁹ Whatever the explanation, the film signals that interest in international films is growing.

South Korea and other countries can benefit from the spread of their cultural products. By reaching audiences worldwide, *Parasite* provides an initial window for many viewers into Korean culture and

31 Yoommy Nam, "Asian Representation in Film: The Impact of 'Crazy Rich Asians,'" New York Film Academy, February 8, 2019, <https://www.nyfa.edu/student-resources/asian-representation-crazy-rich-asians/>.

32 Ibid.

33 Paul Farhi, "'Parasite' makes Oscars history as the first foreign-language film to win best picture," *Washington Post*, February 10, 2020, https://www.washingtonpost.com/lifestyle/style/parasite-makes-oscars-history-as-the-first-foreign-language-film-to-win-best-picture/2020/02/10/93b7e5f8-49fa-11ea-9164-d3154ad8a5cd_story.html.

34 Ibid.

35 Ibid.

36 Manohla Dargis, "Cannes 2019 Winners: South Korean Movie 'Parasite' Wins the Palme d'Or," *New York Times*, May 25, 2019, <https://www.nytimes.com/2019/05/25/movies/cannes-film-festival-winners-parasite.html>; Dee Jefferson, "Bong Joon-ho's Parasite wins Sydney Film Festival official competition prize," ABC News, June 16, 2019, <https://www.abc.net.au/news/2019-06-16/sydney-film-festival-winners-parasite-erica-glynn-documentary/11174160>; Sandra Gonzalez, "'Parasite' Dominated the Oscars on a Historic Night," CNN, February 11, 2020, <https://www.cnn.com/2020/02/10/entertainment/parasite-oscars/index.html>; Sandra Gonzalez, "'Parasite' Opens Important Door for Foreign Language Films with SAG Win," CNN, January 20, 2020, <https://www.cnn.com/2020/01/19/entertainment/parasite-win/index.html>; and Lisa Respers France, "BAFTA Film Awards 2020: See Who Won," CNN, February 3, 2020, <https://www.cnn.com/2020/02/02/entertainment/baftas-2020-winners/index.html>.

37 Travis Clark, "Best-Picture Winner 'Parasite' Dominated the Oscars and Is Also a Box-Office Hit," *Business Insider*, February 11, 2020, <https://www.businessinsider.com/how-much-best-picture-winner-parasite-has-made-box-office-2020-2>; and Travis Bean, "Box Office: 'Parasite' Petering Out After Barely Cracking \$1,000 Per Theater," *Forbes*, March 9, 2020, <https://www.forbes.com/sites/travisbean/2020/03/09/box-office-parasite-petering-out-after-barely-cracking-1000/#518ec675779f>.

38 Jessie Yeung and Yoonjung, "'Parasite' Oscar Win Is a 'Remarkable Chapter in Korean Culture,'" CNN, February 10, 2020, <https://www.cnn.com/2020/02/10/asia/parasite-south-korea-us-intl-hnk-scli/index.html>.

39 Nicole Sperling and Brooks Barnes, "Oscar Triumph for 'Parasite' Reflects Academy's Evolving Identity," *New York Times*, February 10, 2020, <https://www.nytimes.com/2020/02/10/movies/parasite-oscars-academy-membership.html>.

history. Perhaps those who choose to consume more Korean content will be more sympathetic to the country's role in the world and identify more closely with people living in South Korea. The fact that *Parasite* offers a sharp critique of South Korean income inequality while also developing characters that the viewer can empathize with shows that soft power is not about exaggerating a country's positive aspects and ignoring its flaws.⁴⁰ Instead, *Parasite* validates political scientist Joseph Nye's claim that "the best propaganda is not propaganda."⁴¹ In a world where, as Nye writes, "credibility is the scarcest resource," *Parasite* demonstrates that while South Korea is a country with problems, just like any other, it is one that can generate compelling, creative narratives in an environment of open political debate.⁴²

40 Sue Mi Terry, "'Parasite' Brutally Portrays Inequality in South Korea. It Also Signals Progress," *Washington Post*, January 17, 2020, <https://www.washingtonpost.com/opinions/2020/01/17/parasite-brutally-portrays-inequality-south-korea-it-al-so-signals-progress/>.

41 Joseph Nye, "China's Soft Power Deficit: To Catch Up, Its Politics Must Unleash the Many Talents of Its Civil Society," *Wall Street Journal*, May 8, 2012, <https://www.wsj.com/articles/SB10001424052702304451104577389923098678842>.

42 Ibid.

Leveling Up: Resilience to Covid-19 in the Video Game Industry

Like the film industry, the video game industry has faced disruption but has also exhibited great resilience amid the Covid-19 pandemic. While traditional brick-and-mortar stores face challenges in reaching customers due to social distancing restrictions, increased demand for video games and a move toward online gaming marketplaces have allowed the industry to flourish.

During the lockdown, more people are turning toward mobile gaming to entertain themselves than ever before. According to app analytics firm Sensor Tower, March 2020 marked the highest number of global mobile game downloads ever, reaching 3.3 billion, up 51 percent from the previous year.⁴³ Of the top 10 most downloaded games in April 2020, six were produced by firms based in the Indo-Pacific.⁴⁴ While mobile games may not be seen as an obvious source for economic growth, the top-earning game for April 2020, *PUBG Mobile*, owned by the Chinese tech conglomerate Tencent, accrued \$225.2 million in player spending in just one month, providing a major source of employment for young programmers and developers.⁴⁵

Beyond mobile gaming, video games on other platforms have had success both before and during the Covid-19 pandemic. Fortnite, produced by U.S.-based Epic Games, is one of the most-played video games in history, surpassing the population of the United States with over 350 million registered accounts as of May 2020.⁴⁶ In April 2020 alone, players logged over 3.2 billion hours.⁴⁷ While there is no upfront cost to users, the game offers opportunities to spend small amounts of money on in-game purchases, allowing players to advance more quickly. In 2019, Fortnite generated \$1.8 billion through in-game purchases, more than the combined GDP of American Samoa, Tonga, Micronesia, and the Marshall Islands.⁴⁸

43 Craig Chapple, “Top Mobile Games Worldwide for April 2020 by Downloads,” Sensor Tower, May 12, 2020, <https://sensor-tower.com/blog/top-mobile-games-worldwide-april-2020-by-downloads>.

44 Ibid.

45 Ibid.

46 Nick Statt, “Fortnite Is Now One of the Biggest Games Ever with 350 Million Players,” *Verge*, May 6, 2020, <https://www.theverge.com/2020/5/6/21249497/fortnite-350-million-registered-players-hours-played-april>.

47 Ibid.

48 “2019 Year In Review: Digital Games and Interactive Media,” SuperData, 2020, <https://www.superdataresearch.com/reports/2019-year-in-review>. The combined GDPs of the four countries was calculated to be 1.7 billion by using World Bank Development Indicators. See: “GDP Current US\$,” World Bank, 2018, <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=TO-AS-MH-FM>.

Box 2: Artificial Intelligence: The Brains Behind the Games

Artificial intelligence (AI) is quickly expanding and developing our world. While it lacks a widely accepted definition, AI is generally the ability of a computer to learn, comprehend, and perform tasks in a manner consistent to that of a human employing intelligence. Most common notions of AI relate to science and technology, such as autonomous vehicles or smart speakers, such as Amazon's Alexa. However, AI has revolutionary roles in all industries, particularly in the creative industries. AI has the widest platform in the video game industry. AI's role in gaming even dates back to the late-1900s with simple finite-state machine (FSM) algorithms to program games' characters or bots to form appropriate responses according to all possible situations.⁴⁹ Over the years, AI capabilities have grown immensely as they continue to incorporate virtual reality, augmented reality, and mixed reality. AI is also foundational to many music and television streaming services, including Spotify and Netflix, for analyzing the preferences of their listeners or viewers and curating personalized playlists and recommendations.

Many AI projects are developing in other industries as well, including in fashion and dance. Google Arts & Culture launched two different experiments to test the limits of AI in creative economies. The first, Runway Palette, is an interactive visualization of four years of fashion, formed from the extraction of the main colors of looks from almost 4,000 fashion shows.⁵⁰ The color pallet visualization allows users to “explore colors, designers, seasons, and trends that come from Fashion Weeks worldwide” and even incorporate their own outfits and photos for color styling options.⁵¹

The second experiment, Living Archive, is an AI-driven choreography tool that allows users to explore almost half a million poses that the experiment collected from over 100 hours of performances by choreographer Wayne McGregor.⁵² These are only two of the many AI tools that artists use in their creative and production process. Whether it is co-writing poetry, co-composing music, designing patterns using augmented reality, or experiencing multisensory art installations, AI has transformed and will continue to transform the creative industries in revolutionary ways.

Covid-19 has further increased the popularity of live video game streaming sites such as Twitch, which allow users to watch celebrities play popular games. Today, Twitch has 17.5 million average daily users, allowing successful gamers to monetize their content through donations, brand partnerships, merchandise, and subscriptions to their channel.⁵³ The top 10 gamers, all from North America or Europe, took home a combined \$121 million in 2019, leaving ample room for players from the Indo-Pacific to similarly monetize their content—either with local audiences or by creating a global fanbase.⁵⁴

49 Laura E. Shummon Maass and Andy Luc, “Artificial Intelligence in Video Games,” Medium, July 1, 2019, <https://towardsdatascience.com/artificial-intelligence-in-video-games-3e2566d59c22>.

50 Damien Henry, “When Fashion and Choreography Meet Artificial Intelligence,” Google (blog), November 22, 2019, <https://blog.google/outreach-initiatives/arts-culture/when-fashion-and-choreography-meet-artificial-intelligence/>.

51 Ibid.

52 Ibid.

53 Kelsey Sheehy, “How to Make Money on Twitch,” Nerd Wallet, May 8, 2020, <https://www.nerdwallet.com/article/finance/make-money-twitch>.

54 Ibid.

Local live-streaming platforms, such as AfreecaTV, Bigo Live, and 17 Live, already exist as popular alternatives to Twitch in South Korea, Singapore, and Taiwan.⁵⁵ These smaller companies benefit from a “network effect” by attracting local users through shared cultural norms and common languages.⁵⁶ Viewers are attracted to watch others’ live streams, not only to improve their game play but also for commentary and humor. Bigo Live now has 22 million monthly active users and has expanded to over 150 countries.⁵⁷

The success of local video game streaming platforms demonstrates that countries in the Indo-Pacific should expand their thinking about their own comparative advantage. While U.S. based platforms such as Twitch and YouTube currently have greater name recognition than foreign competitors, companies from South Korea, Singapore, and Taiwan have shown that they can also attract a high number of users. As the success of Indo-Pacific firms has shown, countries in the region are also capable of out-competing their Western counterparts in mobile gaming.

55 Duckju Kang, “Live Streaming Platforms in Asia: Will They Overcome Twitch?,” Value Champion, May 10, 2018, <https://www.valuechampion.sg/live-streaming-platforms-asia-will-they-overcome-twitch>.

56 Ibid.

57 Markets Insider, “Indonesian Broadcaster Bags Top Global Champion in Global Live Streaming App, Bigo Live Awards Gala 2020,” Business Insider, January 23, 2020, <https://markets.businessinsider.com/news/stocks/indonesian-broadcaster-bags-top-global-champion-in-global-live-streaming-app-bigo-live-awards-gala-2020-1028838309>.

Fixing a Broken Record: Disruption and Adaptation in the Music Industry

The global music industry has been one of the hardest-hit industries by the Covid-19 pandemic. The World Economic Forum (WEF) estimates the global music industry is valued at over \$50 billion, with live music—mainly through ticket sales—making up over 50 percent of total revenue.⁵⁸ However, since the onset of pandemic safety measures, live performance revenue has plummeted, becoming the industry's biggest casualty. Concert halls have been empty for months, artists lack album promotion opportunities outside of social media, and music festivals have been canceled or postponed.

The economic consequences of containment efforts have not only affected the artists but also record labels, venues, streaming services, booking agencies, tech startups, and other companies in the music industry.⁵⁹ If concerts are not able to resume before the end of the year, the live music industry will lose up to \$8.9 billion in revenue.⁶⁰ This is a sharp change in fortunes, given that 2020 looked to be a record-setting year for the live music industry, with industry predictions of \$12.2 billion in box-office revenues.⁶¹ While many countries in Asia have already begun reopening, live events will still not take place for an extended period of time. Even if containment policies start to relax in most countries by beginning of the fall, the live music industry will still have lost \$5.2 billion.⁶²

“By mid-March, the coronavirus pandemic had effectively put the multibillion-dollar concert industry on indefinite pause and brought cataclysmic knock-on effects into the rest of the music business as well.”

— **ROLLING STONE MAGAZINE**⁶³

58 Hall, “This is How Covid-19 is Affecting the Music Industry.”

59 “How Coronavirus Is Wreaking Havoc on Music,” *Rolling Stone*, April 27, 2020, <https://www.rollingstone.com/pro/lists/coronavirus-music-business-latest-974262/the-week-the-music-stopped-984573/>.

60 “Pollstar Projects 2020 Total Box Office Would Have Hit \$12.2 Billion,” Pollstar, April 3, 2020, <https://www.pollstar.com/article/pollstar-projects-2020-total-box-office-would-have-hit-122-billion-144197>.

61 Ibid.

62 Ibid.

63 “How Coronavirus Is Wreaking Havoc on Music,” *Rolling Stone*.

Covid-19's disruptions to the music industry are extremely detrimental for music groups from the Indo-Pacific, which have been steadily increasing their worldwide reach and popularity in recent years. South Korea's BTS, Australia's 5 Seconds of Summer, New Zealand's Lorde, and Indonesia's Rich Brian have all found success in the United States. The acceptance and rise of K-pop in the West, even despite the language barrier, demonstrate a critical shift in global creative economies. K-pop first started gaining popularity in 2012 with the release of Psy's "Gangnam Style," which became the first YouTube video to reach a billion streams.⁶⁴ Since then, male and female K-pop groups, such as BTS, Blackpink, Super Junior, and EXO, have exploded in popularity, making K-pop a \$5 billion global industry.⁶⁵ BTS has been successful in part due to their upbeat tempos and collaborations with well-known Western groups such as the Chainsmokers, Steve Aoki, and Zedd.⁶⁶ So far, BTS has become the first Korean group to play in a U.S. stadium, selling out the over 40,000 seats at New York's Citi Field in only a few minutes.⁶⁷ BTS' music video for the song "Fake Love" racked up 35 million YouTube views in 24 hours, and now has 700 million views, more than 13 times the population of South Korea.⁶⁸ Increasing the collaboration between Western music professionals and artists and producers from the Indo-Pacific will strengthen soft power relationships between countries and globally increase cultural representation.

However, evidence has shown that Covid-19 is changing the way people are listening to music and is accelerating the underlying trends in the industry. As seen in the film industry, music streaming platforms have also been on the rise and have seen an uptick in downloads since the start of the pandemic. The WEF estimates that the contribution of streaming to total industry revenues has increased from 9 percent to 47 percent in just six years.⁶⁹ Instead of promoting new music through world tours, artists have turned to social media outlets to promote and release content on streaming platforms (e.g., Spotify, Apple Music, and SoundCloud) that have enabled new monetization efforts for artists.

The quarantine has also led to an increase in content creation on platforms such as Apple's GarageBand, with nearly 13 million downloads since February, and particularly TikTok, which surpassed 2 billion global downloads—the largest number of downloads that any app has ever had in a quarter.⁷⁰ Online music instrument stores such as Reverb are also having success selling new and used musical instruments during quarantine as people become encouraged to learn an instrument for the first time, with acoustic guitars and ukuleles being the most popular instruments of choice.⁷¹ Given the rising consumer interest in the music industry from Covid-19, people may be gaining a newfound respect for music and the arts in general as they have missed concerts, operas, and performances.

64 Amy Wang, "How K-Pop Conquered the West," *Rolling Stone*, August 21, 2018, <https://www.rollingstone.com/music/music-features/bts-kpop-albums-bands-global-takeover-707139/>.

65 Ibid.

66 Ibid.

67 Ibid.

68 "Fake Love," YouTube video, posted by BTS, May 18, 2018, 5:18, <https://www.youtube.com/watch?v=7C2z4GqqS5E>; and "Population, Total—Korea, Rep.," World Bank, 2018, <https://data.worldbank.org/indicator/SP.POP.TOTL?locations=KR>.

69 Hall, "This Is How COVID-19 Is Affecting the Music Industry."

70 Samantha Hissong, "Sales of Instruments and Music Gear Are Soaring. Will Quarantine Spark a Renaissance?," *Rolling Stone*, April 24, 2020, <https://www.rollingstone.com/pro/features/quarantine-diy-music-renaissance-988394>; and Paige Leskin, "TikTok Surpasses 2 Billion Downloads and Sets a Record for App Installs in a Single Quarter," *Business Insider*, April 30, 2020, <https://www.businessinsider.com/tiktok-app-2-billion-downloads-record-setting-q1-sensor-tower-2020-4>.

71 Hissong, "Sales of Instruments and Music Gear Are Soaring."

The growing global connectivity of the music industry demonstrates new avenues for growth within the Indo-Pacific. As cross-industry partnerships develop and more artists connect to other artists and listeners all over the world, Covid-19 has underlined the potential new direction for the music industry, bolstered by the digitalizing world and the onset of the Fourth Industrial Revolution.

The Devil Wears Nada: An Uncertain Future for the Fashion Industry

The global fashion industry employs millions of people, from models and designers to seamstresses, retail workers, and many others. It has been one of the hardest-hit industries by the Covid-19 pandemic because much of the fashion industry consists of small- and medium-sized enterprises. These companies, many often in developing countries, lack the necessary safety nets and have received limited to no revenue for three to four months. Many companies in the fashion industry were not prepared to digitalize their operations, especially given the unequal global technology gaps, leaving many companies and consumers without adequate access to the internet. Numerous large Western fashion brands have canceled completed and in-process orders—some that were even already in transit to U.S. ports—to avoid payments for items they do not have demand for.

These actions have detrimental impacts on workers dependent on garment production in countries throughout the Indo-Pacific, including Bangladesh, the second-largest global garment manufacturer behind China. According to the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), over \$3 billion in exports from factories in Bangladesh have been canceled or suspended as a result of the Covid-19 crisis, directly affecting 2.28 million workers and threatening the country's total 4.1 million garment workers. Over 72 percent of buyers are refusing to pay for even the raw materials (i.e., fabric) already purchased by the suppliers, according to a survey by Penn State's Center for Global Workers.⁷² The readymade garment industry in Bangladesh—a leading contributor to job creation, gender equality, and the economy—accounts for 84 percent of the country's exports in 2019, thus demonstrating the detrimental effect that reduced production will have.⁷³

Retail stores and supply chains are suffering globally, with some estimates suggesting the industry could lose over \$43 billion in just luxury sales this year alone, with even more unreported losses

72 Mark Anner, "Abandoned? The Impact of Covid-19 on Workers and Businesses at the Bottom of Global Garment Supply Chains," Penn State Center for Global Workers' Rights, March 27, 2020, www.workersrights.org/wp-content/uploads/2020/03/Abandoned-Penn-State-WRC-Report-March-27-2020.pdf; and Brooke Roberts-Islam, "The True Cost of Brands Not Paying For Orders During The COVID-19 Crisis," *Forbes*, March 30, 2020, <https://www.forbes.com/sites/brooke-robertsislam/2020/03/30/the-true-cost-of-brands-not-paying-for-orders-during-the-covid-19-crisis/#6e0af9ea5ccc>.

73 Mohammed Ishaque, "RMG Industry Outlook 2019," *Textile Focus*, September 9, 2019, <http://textilefocus.com/rmg-industry-outlook-2019/>; and Anner, "Abandoned?"

among smaller brands.⁷⁴ Fashion weeks in Milan and Paris in February and March 2020 lost revenue from Chinese brands pulling out early, and many have since been postponed or canceled. However, numerous major fashion companies are adjusting to new conditions and experimenting with Covid-19's digital trends. For example, Shanghai Fashion Week became fully digital in April, and London's Fashion Week followed with a fully virtual showcase in June.⁷⁵

“Times of great trauma also produce moments of great creativity as we attempt to process what we have been through. The functional side of that is fashion. After periods of extremes—war, pandemic, recession—dress is a way to signal the dawning of a new age.”

— NEW YORK TIMES⁷⁶

The Covid-19 pandemic presents a unique opportunity for the fashion industry that many companies are investing in. While digitization is not completely offsetting the disruptions of the crisis, it has become a lifeline for the industry to ensure business continuity and to try to emerge from the crisis in a position of strength. Beyond virtual fashion shows, many fashion companies have invested in digital tools and adopted innovative formats such as virtual look books and social media marketing and sales.

In April, website traffic of the top 100 fashion brands in Europe rose by 45 percent, leading many to even reduce marketing and promotion intensity to better manage the surge of orders.⁷⁷ While most fashion companies already have websites or some form of an e-commerce presence, many do not. This crisis demonstrates and deepens the need to diminish the digital divide and encourage digitization, specifically in the Indo-Pacific. Most companies which are willing and able to invest in digitization can launch a simple online platform in about 10 to 15 weeks.⁷⁸ The Covid-19 crisis can be used by fashion companies in the Indo-Pacific to leapfrog into a more competitive market and into the digital arena, and policymakers need to ensure the availability of resources to do so.

74 Boston Consulting Group, Altagamma, and AB Bernstein, “The Outlook Touches All Industries, Including Luxury,” Boston Consulting Group, February 2020, <https://media-publications.bcg.com/The-Outbreak-Touches-All-Industries-Including-Luxury.pdf>.

75 TradeGala, “The Future of Trade Shows in a Post-COVID-19 Fashion Industry,” *Global Trade Magazine*, July 7, 2020, <https://www.globaltrademag.com/the-future-of-trade-shows-in-a-post-covid-19-fashion-industry/>.

76 Vanessa Friedman, “This is Not the End of Fashion,” *New York Times*, June 4, 2020, <https://www.nytimes.com/2020/06/04/style/fashion-industry-dead-or-alive.html>.

77 Antonio Gonzalo et al., “The Fashion Industry’s Digital Transformation: Now or Never,” McKinsey & Company, May 6, 2020, <https://www.mckinsey.com/industries/retail/our-insights/fashions-digital-transformation-now-or-never#>.

78 Ibid.

Box 3: The End of China's Manufacturing Reign?

China represents an important market for the fashion industry as an integral part of many companies' supply chains. As a result, the country's lockdown has had a big impact on both supply and demand for many companies. Even before Covid-19, many fashion brands were struggling to pay tariffs in order to sell their products in China due to the U.S.-China trade war. Many companies are now looking to governments for tariff relief so that they can continue to pay their furloughed retail workers.⁷⁹ The Covid-19 pandemic has added fuel to the discussion of diversifying global supply chains to mitigate the global overreliance on China as a manufacturing hub. While this is happening alongside conversations of nearshoring—started in part by the Trump administration's desire to move manufacturing jobs back to the United States—complete reshoring of supply chains is unrealistic.⁸⁰ Many fashion companies have looked to relocate their sourcing, and many Indo-Pacific countries are leading options.

In response to the pandemic, some brands are stepping up to support relief efforts. Many of the luxury brands, such as Tiffany & Co, Prada, Dolce and Gabbana, and Versace, have donated to Covid-19 relief funds, while smaller brands have partnered with charities to give a percentage of all purchases to Covid-19 relief funds.⁸¹ Some larger companies have been able to pivot in the wake of the crisis and use manufacturing centers to produce face masks and gowns for emergency workers. Most experts within the fashion industry do not expect this to be the end of retail stores; they expect the industry to make a resurgence similar to those after the World Wars, the Great Depression, and the Bubonic Plague.⁸²

With vast global border closures, exporting goods has become even more difficult, and with economies struggling around the world, consumers are buying less clothes. Even as countries in the Indo-Pacific begin to reopen, most expect foot traffic to be limited into the fall.⁸³ Government programs looking to combat the effects of Covid-19 must make paycheck lending programs accessible to retail workers, allow relief from tariffs, and continue to support the fashion industry throughout the reopening process. Many companies may not survive to the end of this year without this support.⁸⁴

Covid-19 has exposed some of the greatest weaknesses of the global fashion industry, particularly the misalignment between supply and demand. As shown by the detrimental impacts on garment manufacturing countries around the world, the traditional fashion manufacturing model needs an update, and many say Covid-19 will be the catalyst for change within the fashion industry. Companies across fashion supply chains must adapt to the crisis and capitalize on the vast increases in

79 William Alan Reinsch, Stephen Lamar, and Colin Browne, "Innovation and Covid-19: The Fashion Sector," (public event, CSIS, Washington, DC, June 4, 2020), <https://www.csis.org/events/online-event-innovation-and-covid-19-fashion-sector>.

80 Ibid.

81 "How the Covid-19 Pandemic is Affecting the Fashion Industry," *Elle*, May 12, 2020, <https://www.elle.com/uk/fashion/g32015646/coronavirus-fashion-brands/>.

82 Friedman, "This is Not the End of Fashion."

83 Vogue Business, "Fashion Industry Crisis Deepens amid Covid-19 Chaos," *Vogue*, April 6, 2020, <https://www.voguebusiness.com/companies/fashion-industry-crisis-deepens-amid-covid-19-chaos>.

84 See list of fashion companies that have declared bankruptcy in 2020 so far, see Sapna Maheshwari and Michael Corkery, "J.C. Penney, 118-Year-Old Department Store, Files for Bankruptcy," *New York Times*, May 15, 2020, <https://www.nytimes.com/2020/05/15/business/jc-penney-bankruptcy-coronavirus.html>.

e-commerce by restructuring their manufacturing to a needs-based model. On-demand manufacturing can revolutionize the industry and be environmentally and financially beneficial for all companies and workers along the supply chain. Online shopping and on-demand manufacturing offer a new frontier for establishing a direct connection between the producer and the consumer that can facilitate the analysis of product sales, diminish harmful surpluses, and create resilience and prosperity along the entire supply chain.⁸⁵ Companies in the fashion industry that will show resilience through Covid-19, and even thrive, will be those able to sustainably adjust to new conditions and demands.

85 Aslaug Magnusdottir, "How Fashion Manufacturing Will Change After The Coronavirus," *Forbes*, May 13, 2020, <https://www.forbes.com/sites/aslaugmagnusdottir/2020/05/13/fashions-next-normal/#2a2671e778f3>.

How to Win Friends and Influence Countries: Creative Economies as a Soft Power Resource

In addition to providing economic growth and resilience in the face of Covid-19, creative industries can serve as a source of soft power in the Indo-Pacific, a region where foreign powers are competing for influence. The region has seen an influx of both hard power and soft power from China over the last decade. In its December 2017 *National Security Strategy*, the United States identifies the Indo-Pacific as a scene of “geopolitical competition between free and repressive visions of world order.”⁸⁶ U.S. policymakers view Chinese military investment and claims over the South China Sea as particular issues of concern.⁸⁷ Global concern has grown as China has sought to increase its influence through economic investments. The Belt and Road Initiative (BRI), launched in 2013, has involved Chinese infrastructure investments around the world, including in the Indo-Pacific. Morgan Stanley estimates that the BRI’s total expenses will reach between \$1.2 and \$1.3 trillion by 2027.⁸⁸

In addition to its hard power projection, Beijing has projected soft power through its rising global influence, primarily over the Indo-Pacific region. Chinese President Xi Jinping stated in 2014 that “we should increase China’s soft power, give a good Chinese narrative, and better communicate China’s message to the world.”⁸⁹ Mainland China’s rapid development in the late-twentieth century is a key part of that narrative, and if people in the Indo-Pacific believe that political freedom is an obstacle to economic growth, they may opt for the Chinese model.⁹⁰ While Chinese leaders may not explicitly seek to change the democratic character of foreign governments, they do hope to attract sympathy by promoting the “China Dream,” a slogan that Xi Jinping has adopted with both domestic and international audiences in mind.⁹¹

86 White House, *National Security Strategy of the United States of America* (Washington, DC: U.S. Government, December 2017), 45, <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>.

87 Ibid., 46.

88 “Inside China’s Plan to Create a Modern Silk Road,” Morgan Stanley, March 14, 2018, <https://www.morganstanley.com/ideas/china-belt-and-road>.

89 Thomas Barker, “The Real Source of China’s Soft Power,” *The Diplomat*, November 18, 2017, <https://thediplomat.com/2017/11/the-real-source-of-chinas-soft-power/>.

90 Ibid.

91 “What does Xi Jinping’s China Dream Mean?,” BBC News, June 6, 2013, <https://www.bbc.com/news/world-asia-china-22726375>.

Responding to China's hard and soft power, the United States and other countries have launched their own holistic regional strategies. At the 2017 APEC Summit in Vietnam, President Trump announced the United States' new vision for a free and open Indo-Pacific and its commitment to securing stability and prosperity beneficial to all nations of the region. As the largest source of foreign direct investment (FDI) and also the largest donor of foreign assistance in the Indo-Pacific, the United States has a unique role in the prosperity of the region.⁹²

In June 2019, the U.S. Department of Defense released the *Indo-Pacific Strategy Report* outlining the regional strategy along three pillars: economics, governance, and security.⁹³ The strategy focuses on supporting open investment environments, good governance, and freedom of the seas in the Indo-Pacific region. Significant progress toward a free and open Indo-Pacific has been made through U.S. economic and development efforts. Two-way trade between the United States and the Indo-Pacific was over \$1.9 trillion in 2018, supporting more than three million jobs in the United States and more than 5.1 million jobs in the Indo-Pacific.⁹⁴ Since 2017, the U.S. Department of State and U.S. Agency for International Development (USAID) have provided \$4.5 billion in foreign assistance to the region.⁹⁵ In addition, the United States has been a leader in providing funding for Covid-19 relief programs in the Indo-Pacific, providing \$63.7 million in assistance to South Asia and \$72.2 million to the Association of Southeast Asia Nations (ASEAN) countries.⁹⁶

The United States' partners have launched their own concepts and policies in line with the Indo-Pacific Strategy, including Japan's Free and Open Indo-Pacific concept, India's Act East Policy, Australia's Indo-Pacific concept, the Republic of Korea's New Southern Policy, and Taiwan's New Southbound Policy.

Several of these strategies explicitly focus on soft power. Taiwan's New Southbound Policy (NSP), launched in 2016, for example, has focused heavily on developing culture and creative economy partnerships with its neighbors. Through the NSP, Taiwan looks to strengthen its engagement with the 10 ASEAN countries as well as India, Pakistan, Bangladesh, Nepal, Sri Lanka, Bhutan, Australia, and New Zealand.⁹⁷ The policy aims to leverage Taiwan's cultural, educational, technological, agricultural, and economic assets to enhance the government's regional integration and promote the broader development of the Indo-Pacific region.⁹⁸ The policy also has four pillars: (1) Promote Economic Collaboration; (2) Conduct People-to-People Exchanges; (3) Enhance Resource Sharing and; (4) Forge Regional Links.⁹⁹ The creative industries are included in all four pillars but appear most clearly under the third pillar, which emphasizes the use of film, broadcasting, and online games to promote Taiwan's culture regionally and globally—a strategic soft power tool.¹⁰⁰

92 U.S. Department of State, *A Free and Open Indo-Pacific: Advancing a Shared Vision* (Washington, DC: U.S. Department of State, November 2019), 6, <https://www.state.gov/wp-content/uploads/2019/11/Free-and-Open-Indo-Pacific-4Nov2019.pdf>.

93 Ibid., 30.

94 Ibid., 6.

95 Ibid., 4.

96 South Asia is defined as India, Pakistan, Bangladesh, Nepal, Sri Lanka, Bhutan; "Update: The United States Continues to Lead the Global Response to COVID-19," U.S. Department of State, May 19, 2020, <https://www.state.gov/update-the-united-states-continues-to-lead-the-global-response-to-covid-19/>.

97 Bonnie Glaser et al., *The New Southbound Policy: Deepening Taiwan's Regional Integration* (Washington, DC: CSIS, January 2018), 1, <https://www.csis.org/analysis/new-southbound-policy>.

98 Ibid.

99 Ibid.

100 Ibid.

Taiwan is a leader in the creative industries in Asia, and many countries would benefit from exchanges with Taiwanese experts. For example, the Taiwan-Asia Exchange Foundation and the Vietnam National Institute of Culture and the Arts Studies have partnered to create art programs, artist-in-residence projects, and various workshops.¹⁰¹ CSIS has written extensively in a previous report on how Taiwan has built a strong creative economy by protecting intellectual property rights, promoting democracy and freedom of speech, and providing financial incentives to support small- and medium-sized creative enterprises.¹⁰²

Creative industries can be a source of soft power for all governments in the region. K-pop, Japanese anime, and Bollywood films each demonstrate their countries' unique cultural background and ability to attract global audiences. Leaders of democratic nations in the Indo-Pacific can draw on their countries' cultural resources to influence global opinion, drawing a contrast between their model of free expression and open debate and the Chinese model of censorship.

101 Ibid.

102 Daniel F. Runde and Christopher Metzger, *Lessons for Building Creative Economies* (Washington, DC: CSIS, December 3, 2019), 4–9, <https://www.csis.org/analysis/lessons-building-creative-economies>.

Setting the Stage for the Creative Economy: Country Case Studies

Given the resilience of the film/television, gaming, and music industries and the continuing challenges for the fashion industry, it is important for creative leaders and government regulators to study and share best practices across industries. CSIS researchers have investigated two countries to examine what has and has not worked to boost resilience in the creative sector, as well as project soft power abroad. For the first case study, the team traveled to Australia, a high-income country, in March 2020 to interview 19 people involved in the creative sector. Pandemic-related restrictions prevented researchers from traveling to India, but they were able to conduct seven virtual interviews with stakeholders from the Indian creative sector in the summer of 2020.

Creativity Down Under: A Case Study on Australia

Australia offers mixed lessons for countries aiming to achieve economic resilience and project soft power in the wake of Covid-19. The creative industries make a significant cultural and economic impact in Australia. The Australian creative economy accounts for \$71.2 billion, or around 6.5 percent of GDP, and employs 194,000 Australians—four times more people than coal mining and the finance industry.¹⁰³ With titles such as *The Matrix*, *Star Wars* (Episodes II and III), and *Mad Max: Fury Road* drawing global audiences, Australia has a robust film industry. The sector is heavily reliant on government incentives, however, so individual countries will have to decide for themselves whether the costs of tax credits are worth the benefits that they can provide. Beyond film, Australia is a major source of Indigenous visual art. While forgery and exploitation of artists have been challenges for the industry, regulators have taken steps in the right direction to provide a legal framework that protects artists.

Even before the Covid-19 crisis, Australia was suffering from the 2019-2020 bushfires, which burned 17 million hectares, displaced 25,000 people, and killed over a billion animals by

103 AUD 111.7 billion converted to USD 71.2 billion, using an exchange rate of 1 AUD to 0.6371 USD from Bloomberg; Esther Anatolitis, “NAVA welcomes the first of the Australian Government’s COVID19 arts industry measures,” National Association for the Visual Arts (NAVA), April 9, 2020, <https://visualarts.net.au/news-opinion/2020/nava-welcomes-first-australian-governments-covid19-arts-industry-measures/>; and “Polling: Gov Support for Arts Industry Popular and Necessary,” The Australia Institute, April 16, 2020, <https://www.tai.org.au/content/polling-gov-support-arts-industry-popular-and-necessary>.

conservative estimates.¹⁰⁴ Months after the fires were extinguished, an estimated 18,000 Australians were still unable to return home, as many no longer have a home to return to.¹⁰⁵ The economic damage of the bushfires is expected to surpass \$3 billion, more than the 2009 Black Saturday fires in Victoria.¹⁰⁶ Covid-19 has only further distressed Australia's economy, sending it into a period of "hibernation" in the words of Prime Minister Scott Morrison, as the government tries to contain the spread of the virus.¹⁰⁷ Prior to the pandemic and bushfires, Moody's predicted that Australia's GDP would grow by 2.6 percent in 2020.¹⁰⁸ These twin crises put an end to Australia's record of having 29 years of continuous economic expansion – the best for any industrialized democracy.¹⁰⁹ Now, the economy will be in recession as unemployment rises to at least 7.5 percent, its highest since 1998.¹¹⁰



One of the major venues for Australia's creative economy is the Sydney Opera House.

Source: "Sydney City Circular Quay Opera House," Tourism Australia, <https://images.australia.com/>.

Australia's creative industry also faces particular challenges that existed before Covid-19 and the bushfires. First, low incomes dissuade many workers and artists from even entering the industries. According to the Australia Council for the Arts, lack of income is the biggest barrier

104 Joel Werner and Suzannah Lyons, "The size of Australia's bushfire crisis captured in five big numbers," ABC News, March 4, 2020, <https://www.abc.net.au/news/science/2020-03-05/bushfire-crisis-five-big-numbers/12007716>; and Max Walden, "Australians among a record 50.8 million internally displaced people worldwide, report says," ABC News, April 28, 2020, <https://www.abc.net.au/news/2020-04-28/25,000-australians-among-50.8-million-internally-displaced/12194308>.

105 Ibid.

106 AUD 4.4 billion converted to USD 3.017 billion based on an exchange rate of 1 AUD to 0.6858 USD from Bloomberg; Katrina Ell, "Overvalued Equities Increase Corporate Credit's Downside Risk," Moody Analytics, January 9, 2020, 15, <https://www.moodyanalytics.com/-/media/article/2020/weekly-market-outlook-overvalued-equities-increase-corporate-credits-downside-risk.pdf>.

107 Ibid.

108 Ibid.

109 Michael Heath, "World's Longest Growth Streak Ends as Australia Enters Recession," Bloomberg, June 2, 2020, <https://www.bloomberg.com/news/articles/2020-06-03/australia-economy-contracts-as-end-to-recession-free-run-looms>.

110 "Australia Unemployment Rate," Trading Economics, July 2020, <https://tradingeconomics.com/australia/unemployment-rate>.

to professional development in the creative economy.¹¹¹ It is nearly impossible to make a living as a full-time artist, requiring most to take up secondary jobs to supplement their income.¹¹² The average total annual income among artists in Australia was \$37,026 (AUD\$ 47,470) in 2017, 21 percent lower than the workforce average at the time.¹¹³ Second, the gender pay gap is particularly high in creative fields. On average, female artists earn 25 percent less than male artists, more than the average workforce pay gap of 16 percent.¹¹⁴ In the music industry, female artists not only make less money than their male counterparts but also receive less airtime on the radio, are less likely to be featured in festivals, and are less likely to win the Australian music industry's most prestigious awards.¹¹⁵ Third, the creative industry is not a priority for the current government. In 2019, the Australian government eliminated the Department of Communications and the Arts, merging it with the same department that oversees commerce and transportation.¹¹⁶ Government funding for arts organizations has fallen over the years despite inflation and an increased need for diversification in the face of technological change.¹¹⁷

“Creative and performing arts employ four times as many people as coal mining and as many as finance, yet the economic contribution of this sector is rarely discussed,”

— **ROD CAMPBELL, AUSTRALIA INSTITUTE¹¹⁸**

The Covid-19 pandemic has presented creative industry businesses with an additional challenge. In the face of social distancing measures, only 47 percent of businesses in the arts and recreation services sector were operating in March 2020.¹¹⁹ Despite the difficult circumstances for creative industries, however, there remains cause for optimism. Australians continue to recognize the importance of the arts, with 98 percent saying they engage with arts such as music, festivals, concerts, art shows, and

111 Australia Council for the Arts, *Making Art Work: A Summary and Response by the Australia Council for the Arts*, (Pyrmont, New South Wales: Australia Council for the Arts, November 2017), 7, <https://www.australiacouncil.gov.au/workspace/uploads/files/making-art-work-companion-repo-5a0a56f606056.pdf>.

112 Ibid.

113 AUD 48,400 converted to USD 37,026, using an exchange rate of 1 AUD to .7650 USD from Bloomberg; *ibid*.

114 Ibid.

115 Rae Cooper, Amanda Coles, and Sally Hanna-Osborne, *Skipping a Beat: Assessing the state of gender equality in the Australian music industry* (Sydney, Australia: University of Sydney Business School, 2017), 2, <https://www.agec.org.au/wp-content/uploads/2018/09/Skipping-a-Beat-Assuring-the-Value-of-Gender-Equality-in-the-Australin-Music-Industry-2017.pdf>.

116 Nick Baker, “Massive backwards step’: Australia to no longer have a federal arts department,” SBS News, June 12, 2019, <https://www.sbs.com.au/news/massive-backwards-step-australia-to-no-longer-have-a-federal-arts-department>.

117 Ben Eltham, “Federal arts funding in Australia is falling, and local governments are picking up the slack,” *The Conversation*, September 29, 2019, <https://theconversation.com/federal-arts-funding-in-australia-is-falling-and-local-governments-are-picking-up-the-slack-124160>.

118 “Polling: Gov Support for Arts Industry Popular and Necessary,” The Australia Institute, April 16, 2020, <https://www.tai.org.au/content/polling-gov-support-arts-industry-popular-and-necessary>.

119 “Business Indicators, Business Impacts of COVID-19, Week Commencing 30 March 2020,” Australian Bureau of Statistics, April 4, 2020, <https://www.abs.gov.au/AUSSTATS/abs@.nsf/Previousproducts/5676.0.55.003Main%20Features2Week%20Commencing%2030%20March%202020?opendocument&tabname=Summary&prodno=5676.0.55.003&issue=Week%20Commencing%2030%20March%202020&num=&view=>.

theatre on a regular basis.¹²⁰ A growing portion of this engagement is online. The government has also stepped in to support creative workers during the pandemic.¹²¹

Two major artistic industries in Australia—film and Indigenous art—show promise for the pandemic and post-pandemic eras. Cate Blanchett, Nicole Kidman, and Liam and Chris Hemsworth are well-known Australian actors, but Australia is also a major film producer and filming location. Indigenous art is sought after at auctions around the world.¹²² While Australia has the advantage of being an English-speaking country, with its cultural products readily available to speakers around the world, it also draws strength from its diversity. According to the 2016 census, 49 percent of Australians were either born overseas (first generation) or have at least one parent born overseas (second generation).¹²³ For the first time, more people in Australia born overseas were from Asia rather than Europe.¹²⁴ To put this in perspective, 50 years ago, only 18 percent of Australia's population was born overseas.¹²⁵

“I am a product of an Australia that wanted and was encouraged, to explore its voice culturally. I am a product of the Australia Council.”

— CATE BLANCHETT¹²⁶

The Australian film industry is especially strong. The largest production company, Fox Studios Australia, has become a destination for many blockbuster films. Fox Studios has been in Sydney for 22 years, employing over 5,000 people directly.¹²⁷ Its credits include *Star Wars II* and *III*, *The Matrix*, *Unbroken*, *Hacksaw Ridge*, *The Wolverine*, *Mad Max: Fury Road*, *Truth*, *The Lego Movie*, *Australia*, *Superman Returns*, and *Mission Impossible 2*.

Another major enterprise, Animal Logic, has produced animated films such as the *The Lego Movie*, *Happy Feet*, *Peter Rabbit 1* and *2*, and *Captain Marvel*. The production of Marvel Studios' latest movie, *Shang-Chi and the Legend of the Ten Rings*, at Fox Studios Australia holds additional potential. Marvel's *Avengers: Endgame* holds the record for highest-grossing film ever, earning over \$2.79 billion in 2019,

120 Australia Council for the Arts, *Reconnecting Australians: Results of the National Arts Participation Survey* (Pyrmont, New South Wales: Australia Council for the Arts, June 2017), 9, <https://www.australiacouncil.gov.au/workspace/uploads/files/connecting-australians-natio-59520692c614a.pdf>.

121 Paul Fletcher, “Joint Media Release: Targeted Support for Indigenous Arts, Regional Arts and respected charity Support Act,” Minister for Communications, Cyber Safety, and the Arts, April 9, 2020, <https://www.paulfletcher.com.au/media-releases/joint-media-release-targeted-support-for-indigenous-arts-regional-arts-and-respected>.

122 Matthew Knott, “Sale of Indigenous art expected to fetch up to \$3.9 million at New York auction,” *Sydney Morning Herald*, December 13, 2019, <https://www.smh.com.au/culture/art-and-design/sale-of-indigenous-art-expected-to-fetch-up-to-3-9-million-at-new-york-auction-20191212-p53j6j.html>.

123 “Census Reveals a Fast Changing, Culturally Diverse Nation,” Australian Bureau of Statistics, June 27, 2017, <https://www.abs.gov.au/ausstats/abs@.nsf/lookup/media%20release3>.

124 Ella Hunt, “Barely half of population born in Australia to Australian-born parents,” *The Guardian*, June 26, 2017, <https://www.theguardian.com/australia-news/2017/jun/27/australia-reaches-tipping-point-with-quarter-of-population-born-overseas>.

125 Ibid.

126 Cate Blanchett, “Cate Blanchett pays tribute to Gough Whitlam: full text,” *Sydney Morning Herald*, November 5, 2014, <https://www.smh.com.au/opinion/cate-blanchett-pays-tribute-to-gough-whitlam-full-text-20141105-11hdb1.html>.

127 Interviews conducted by CSIS in Sydney on March 2–3, 2020.

so having production for a Marvel movie take place in Sydney will create jobs in the short term and boost Australia's standing in the film industry in the long run.¹²⁸

Along with their direct effect on employment, films encourage other sectors to develop around them. Beyond the nine stages on the Fox Studios Australia lot, there are 85 additional companies that specialize in lighting, cameras, textiles, music, sound, post-production, and visual effects.¹²⁹ Movie franchises like *Star Wars*, *X-men*, *Mission Impossible*, and *The Matrix* already have millions of built-in fans interested in seeing where scenes were filmed and the sets were built.¹³⁰ Screen content attracts around 230,000 international tourists to Australia each year, driving an estimated \$518 million in tourism expenditure.¹³¹ Screen Australia estimates that the Australia screen industries such as film, television, and digital gaming provided \$2.14 billion to GDP and generated over 25,000 full-time jobs in 2014–2015.¹³²

Box 4: What Makes a Film Australian?

At first glance, *The Great Gatsby*, a movie that takes place in 1920s New York City, would not meet the requirements to qualify as Australian content. However, the entire film was shot in different parts of Sydney and at Fox Studios Australia. It might surprise fans to learn that not one scene was filmed in the United States. The film was produced by Baz Luhrmann, one of Australia's most famous directors, with four of his productions in the top 10 highest-grossing Australian films at the Australian box office. *The Great Gatsby* was a commercial success, bringing in \$350 million worldwide, and the soundtrack was nominated for a Grammy.¹³³ This is just one of the many successes that the Australian film industry has had.

The Australian government has made significant contributions to the film sector's success. Sydney's status as a leading film location and production center, for example, has largely relied on production incentives from the Australian federal government (Table 1). The most significant of these is the producer offset, which provides a rebate of 40 percent on Qualifying Australian Production Expenditure (QAPE) incurred by the applicant company in the making of a feature film.¹³⁴ QAPE is defined as goods and services provided in Australia, the use of land located in Australia, and the use of goods that are located in Australia at the time they are used in the project.¹³⁵ Filmmakers can meet

128 Sarah Whitten, "Avengers: Endgame' is now the highest-grossing film of all time, dethroning 'Avatar,'" CNBC, July 21, 2019, <https://www.cnbc.com/2019/07/21/avengers-endgame-is-the-highest-grossing-film-of-all-time.html>.

129 "Partner Businesses," Fox Studios Australia, <http://www.foxstudiosaustralia.com/partner-businesses>.

130 Colin Delaney, "5 Sydney sites you may have seen in films," CNN, January 2, 2018, <https://www.cnn.com/travel/article/sydney-film-sites/index.html>.

131 AUD 725 million was converted to USD 517.9 billion using an average exchange rate of 1 USD to 1.400 AUD for 2016 from the IRS (<https://www.irs.gov/individuals/international-taxpayers/yearly-average-currency-exchange-rates>); Screen Australia, *Screen Currency: Valuing Our Screen Industry* (Canberra, Australia: Government of Australia, 2016), 6, <https://www.screenaustralia.gov.au/getmedia/1b1312e5-89ad-4f02-abad-dae601b739/ScreenCurrency-SA-Report.pdf>.

132 AUD 3 billion was converted to USD 2.14 billion using an average exchange rate of 1 USD to 1.400 AUD for 2016 from the IRS (<https://www.irs.gov/individuals/international-taxpayers/yearly-average-currency-exchange-rates>); *ibid.*, 5.

133 "The Great Gatsby," IMDb, <https://www.boxofficemojo.com/release/rl2706736641/>.

134 "What is the Producer Offset?," Screen Australia, <https://www.screenaustralia.gov.au/funding-and-support/producer-offset/guidelines/about-the-producer-offset>.

135 "Guidelines Qualifying Expenditure," Screen Australia, <https://www.screenaustralia.gov.au/funding-and-support/producer-offset/guidelines/qualifying-expenditure>.

these requirements by filming, building sets, or producing the film in Australia. With budgets for movies regularly exceeding \$100 million, a return of 40 percent can save major production companies millions of dollars and provide jobs for Australians at the same time.

For projects that fail to meet the requirements for the producer offset, the federal government also provides a location offset, which rewards projects that are filmed in Australia, and PDV offsets, which reward projects that work on post, digital, and visual effects in the country, regardless of their filming location.¹³⁶ While the federal offsets are mutually exclusive, companies can complement their federal incentives with incentives from state governments.¹³⁷

Table 1: Federal Government Film and Television Production Incentives¹³⁸

40% Producer Offset (Feature Film)	Provides a rebate of 40 percent of Qualifying Australian Production Expenditure (QAPE). Significant Australian Content (SAC) Test applies. Limited to feature films that have a minimum QAPE of AUD\$1 million (or US\$ 750,000).
20% Producer Offset (TV)	Provides a rebate of 20 percent of QAPE. SAC Test applies. Eligible formats include TV, movies, series, documentaries, or short form animation.
30% Post, Digital, and Visual Effects Offset	Provides a rebate of 30 percent of qualifying post, digital, and visual effects (PDV) production expenditure. The production must have a total PDV-related QAPE of at least AUD\$500,000 (US\$ 375,000). Eligible formats include feature films, telemovies, or television series. The production does not need to be filmed in Australia.
16.5% Location Offset and Incentive	Provides a rebate of 16.5 percent of QAPE. Feature films and television series must have a minimum QAPE of AUD\$15 million (US\$ 11.25 million). Projects that are eligible for the location offset may also receive a merit-based incentive of up to 13.5 percent of QAPE. In July 17, Australian Prime Minister Scott Morrison announced an additional AUD\$400 million in funding for the location incentive in response to the Covid-19 pandemic, adding to the AUD\$123 million (US\$ 92.25 million) that has already been disbursed.
Co-Production Treaty	Official co-productions receive special consideration for Producer Offset. Australia currently has treaties in force with Canada, China, Germany, Ireland, Israel, Italy, South Africa, South Korea, Singapore, and the United Kingdom. The country has memoranda of understanding with France and New Zealand and is currently negotiating co-production treaties with Denmark, India, and Malaysia.

¹³⁶ Australian Department of Infrastructure, Transport, Regional Development, and Communications, “Tax Rebates for Film and Television Producers,” Government of Australia, <https://www.arts.gov.au/funding-and-support/tax-rebates-film-and-television-producers>.

¹³⁷ Screen Australia, “Australian Screen Production Incentive: Producer Offset Guidelines,” Government of Australia, 14, <https://net-work-play.pathable.com/static/attachments/108989/1415072958.pdf?1415072958>.

¹³⁸ This table was created by CSIS, using information from “Australian Federal Screen Production Incentives,” Ausfilm, 2, <https://www.ausfilm.com.au/wp-content/uploads/2019/10/web-Aust-National-Incentives-Factsheet-200720.pdf>; “Official Treaty Co-Production,” Ausfilm, [https://www.ausfilm.com.au/incentives/co-production/#:~:text=Australia%20has%20official%20Co%2Dproduction,with%20India%2C%20Denmark%20and%20Malaysia](https://www.ausfilm.com.au/incentives/co-production/#:~:text=Australia%20has%20official%20Co%2Dproduction,with%20India%2C%20Denmark%20and%20Malaysia;); and “New \$400 Million Incentive to Boost Jobs for Screen Industry,” Australian Government, <https://www.pm.gov.au/media/new-400-million-incentive-boost-jobs-screen-industry>.

In light of the production incentives that foster the film industry, it is important to consider the limitations of Australia's success in the sector. First, while several noteworthy films have come out of Australia, the country still has only a small foothold in streaming services. On Netflix, for example, only 1.6 percent of global content, or 82 titles, in 2018 were Australian.¹³⁹ Second, Australia has had limited success converting its film industry into soft power. Few people even recognize that a given movie was filmed or produced in Australia, making it difficult for viewers to associate their feelings for certain characters, themes, or stories with Australia's place in the world. The government could do a better job taking credit for productions made in Australia.

“Screen content puts Australia on the world stage and facilitates soft diplomacy.”

— **SCREEN AUSTRALIA**¹⁴⁰

Beyond films, Indigenous visual art has drawn increased interest in Australia in recent years. There are 18,500 Indigenous artists in Australia who produce paintings, arts, and crafts. Indigenous art has grown in popularity in recent years, especially with the support of famous collectors such as U.S. comedian Steve Martin. In December 2019, Sotheby's hosted the first major auction of Australian Indigenous art in the United States, raising \$2.8 million (or AUD\$ 3.63 million) and setting eight new world auction records. The most expensive piece was “Summer Celebration” by Emily Kame Kngwarreye—one of Australia's most celebrated Aboriginal artists—which sold for \$596,000 (approximately AUD\$ 775,000).¹⁴¹



The Maruku Arts Gallery in Northern Australia is one location where tourists can learn about the country's Indigenous art.

Source: “Maruku Arts, Uluru Kata Tjuta National Park, NT,” Tourism Australia, <https://images.australia.com/>.

139 Ramon Lobato and Alexa Scarlata, *Australia content in SVOD catalogs: availability and discoverability* (Melbourne: RMIT University, 2018), 2, <https://apo.org.au/sites/default/files/resource-files/2018-10/apo-nid196611.pdf>.

140 Screen Australia, *Screen Currency: Valuing our screen industry* (Australia: 2016), 9, <https://www.screenaustralia.gov.au/getmedia/1b1312e5-89ad-4f02-abad-dae601b739/ScreenCurrency-SA-Report.pdf>.

141 Sotheby's, “Inaugural Auction Dedicated to Aboriginal Art at Sotheby's New York Achieves \$2.8 Million,” December 16, 2019, <https://www.sothebys.com/en/press/inaugural-auction-dedicated-to-aboriginal-art-at-sothebys-new-york-achieves-2-8-million?locale=en>.

With heightened interest in Indigenous art, there has also been a rise in exploitation, often involving private art dealers who enter Indigenous communities, buy their work, and sell it for four or five times the purchase price at an international auction. Since 2010, the Australian Copyright Agency has combated this practice through a resale royalties scheme—collecting a 5 percent royalty when artwork is resold for more than AUD\$ 1,000 (US\$ 775).¹⁴² In the last 10 years, the agency has collected and disbursed over AUD\$4.9 million (US\$ 3.75 million) to 1,821 artists.¹⁴³ The resale royalty scheme has particularly benefitted Aboriginal and Torres Strait Islander artists, who received 38 percent of the royalties so far.¹⁴⁴ Other countries in the Indo-Pacific can learn from the program.

Forgery has often been a challenge, but the Australian government is taking steps to address it. According to the Australian Copyright Agency, Indigenous Art Code, and Arts Law Center of Australia, 80 percent of Aboriginal souvenir products sold are fake or have not been made under a fair and transparent licensing agreement.¹⁴⁵ In response, in June 2019, the Australian government handed down a fine of AUD\$2.3 million (US\$ 1.725 million) to a company called Birubi Art for selling thousands of Indonesian-made items that were branded as Indigenous art.¹⁴⁶ As part of the Covid-19 response, the government committed to delivering AUD\$4.4 million (US\$ 3.3 million) to the Indigenous Visual Arts Industry Support program.¹⁴⁷ Minister for the Arts Paul Fletcher and Minister for Indigenous Affairs Ken Wyatt had planned a roundtable to address exploitation and forgery in April 2020, but it will now be postponed to a later date due to Covid-19.¹⁴⁸

While Covid-19 has presented many challenges to Australia's creative economies, rising digitalization provides an entirely new frontier for creativity and exploration for artists in Australia's creative industries. Technology will become a key asset in the development of the creative economy by adding new innovative resources for creating art, forming a new creative outlet, and expediting production, promotion, and distribution.

142 "Resale Royalty Scheme," Copyright Agency, <https://www.copyright.com.au/about-copyright/resale-royalty-scheme/>

143 AUD 7 million converted to USD 4.9 million using an exchange rate of 1 USD to 0.7020 USD from Bloomberg; Copyright Agency, *Annual Report for Parliament: For the Year Ended 30 June 2019* (Sydney, Australia: Copyright Agency, 2019), 25, https://static-copyright-com-au.s3.amazonaws.com/uploads/2019/12/R02346-Copyright-Agency_Annual-Report_2019.pdf.

144 Ibid.

145 "Aboriginal artists need further protections," Copyright Agency, June 2019, <https://www.copyright.com.au/2019/06/federal-court-rules-against-birubi/>.

146 "\$2.3M Penalty for Fake Indigenous Australian Art," Australian Competition and Consumer Commission, June 26, 2019, <https://www.accc.gov.au/media-release/23m-penalty-for-fake-indigenous-australian-art>.

147 AUD 7 million was converted to USD 4.4 million using an exchange rate of 1 USD to 0.6340 AUD according to Bloomberg; Anatolitis, "NAVA Welcomes."

148 Lorena Allam, "Central Australian Summit to Tackle Exploitation of Elderly Aboriginal Artists," *The Guardian*, March 1, 2020, <https://www.theguardian.com/artanddesign/2020/mar/02/central-australian-summit-to-tackle-exploitation-of-elderly-aboriginal-artists>.

Creativity on the Subcontinent:

India Case Study

The Indian economy suffers from important, well-known imbalances. Simply put, too many people have not found their way out of low-productivity sectors such as basic agriculture. Steps taken earlier to boost the high-end services sector have created highly productive careers for a small part of the workforce. The manufacturing sector lags the relative scale of many peer nations. However, India's creative sectors are a visible, yet under-appreciated part of the economy. India's creative industries could quickly become more meaningful contributors to economic growth and job creation with the right level of attention by the government. To achieve this, India's existing creative economy sectors need to modernize quickly so they can compete against global firms—even in the Indian market.

About 47 percent of India's workforce is engaged in basic agriculture, producing only around 17 percent of India's GDP.¹⁴⁹ About 22 percent of the nation's workforce is in industry, producing around 23 percent of national GDP, with manufacturing accounting for only around 14 percent.¹⁵⁰ Finally, 31 percent of the workforce is in services, yet this group produces 61 percent of India's GDP.

The strength of India's services economy is the result of some revolutionary reforms initiated by prior governments, such as cable television deregulation in the early-1990s, communications sector deregulation that took place in 1999 through the New Telcom Policy, and the opening of the insurance sector through the amendments initiated in 1999 to the 1938 Insurance Act.

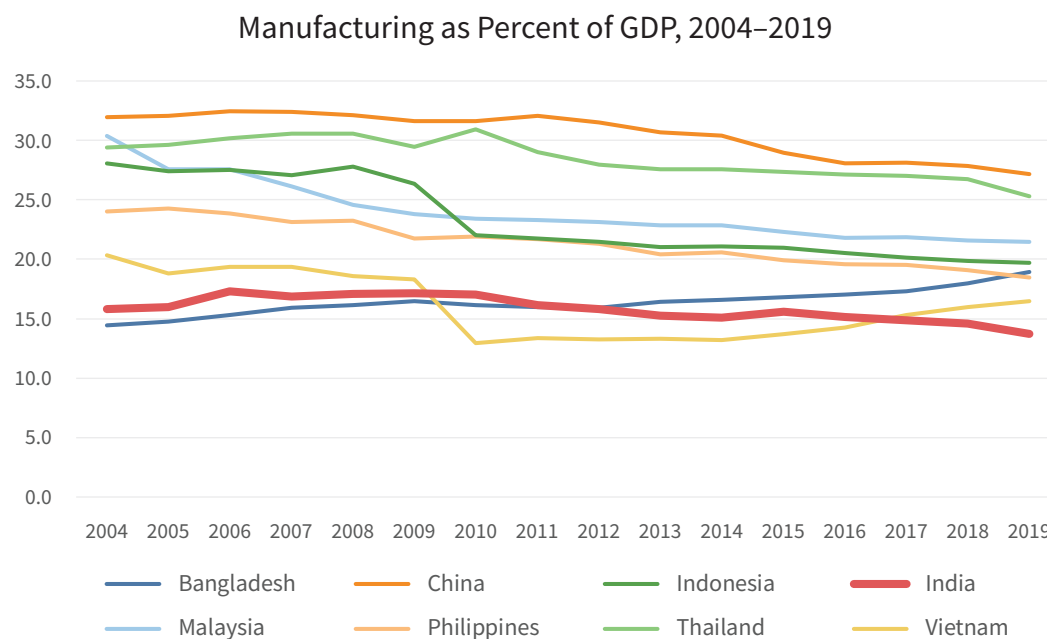
Reforms like these have helped trigger a dramatic expansion in India's telecommunications, information technology, and financial services sectors in the last 20 years. Of course, most of the jobs created in these dynamic sectors are geared toward highly educated workers. Thus, while they provided an important economic stimulus, their role in creating mass employment has been comparatively modest.

India's manufacturing sector is still struggling to meet the lofty dreams of its national leaders. India has a stated goal of bringing the economic contribution of manufacturing in the nation's GDP up to 25 percent by 2025. However, the Indian manufacturing sector's 14 percent share of GDP lags behind peer economies such as China (27 percent), Bangladesh (19 percent), Indonesia (20 percent), Malaysia (21 percent), Thailand (25 percent), and Vietnam (16 percent).

149 "South Asia: India — The World Factbook - Central Intelligence Agency," Central Intelligence Agency, <https://www.cia.gov/library/publications/the-world-factbook/geos/in.html>

150 "Manufacturing, Value Added (% of GDP)," World Bank, <https://data.worldbank.org/indicator/NV.IND.MANF.ZS>

The relatively new Make in India campaign launched by the government of Prime Minister Narendra Modi in 2014 has channeled steps to simplify industry regulation to meet the aforementioned 25 percent of GDP target. India's ranking on the World Bank's "ease of doing business" rankings has improved substantially.¹⁵¹ India was ranked 134th in the world in 2014 and moved all the way up to 63rd place in 2020. Yet key obstacles remain, such as high input tariffs, access to reliable electric power, land and labor reforms, contract enforcement, and more. Despite the heightened attention paid to manufacturing, India's share of national GDP has been declining in recent years from a peak of over 17 percent as recently as 2010.¹⁵²



Source: World Bank.¹⁵³

Job creation is critical to India, where between 5 and 12 people enter the workforce every year.¹⁵⁴ Many of these potential workers are relatively low skilled, so creating such industrial jobs is crucial. Until these types of jobs are readily available, national leaders are averse to launching important reforms to boost agriculture productivity—fearing this will naturally lead to major workforce reductions in agriculture and allied sectors.

India's creative economies generally fall outside the static definitions used in the sectors outlined above, but their products are ubiquitous. Flashy cricket matches are beamed into every television

151 "Ease of Doing Business: Year-by-Year," Republic World, <https://www.republicworld.com/india-news/economy/ease-of-doing-business-charting-indias-growth-story-from-2013-2019.html>

152 "Manufacturing, Value Added (% of GDP) - India," World Bank, <https://data.worldbank.org/indicator/NV.IND.MANF.ZS?end=2019&locations=IN&start=1999&view=chart>.

153 "Manufacturing, value added (% of GDP)," World Bank, <https://data.worldbank.org/indicator/NV.IND.MANF.ZS?end=2019&start=2004>.

154 Sabina Dewan. "Only 4.75 Million Join India's Workforce Annually, Not 12 Million As Claimed," IndiaSpend, May 21, 2018, <https://www.indiaspend.com/only-4-75-million-join-indias-workforce-annually-not-12-million-as-claimed-70548/>.

screen in the nation. Billboards showcase vibrant cinema varieties that extend well beyond Bollywood. Beautiful textile shops greet new visitors as they disembark at airports. Tribal art brightens underpasses in Bhubaneswar. “Cottage arts” carvings are sold at every tourist destination in the nation. There is a natural focus on the unique talent of the artist, athlete, or film star but too little on the many job roles that are involved in producing these spectacles.

According to a March 2020 report on India’s entertainment industry by the Federation of Indian Chambers of Commerce and Industry (FICCI) and Ernst & Young, several subsectors of entertainment already have annual revenue of over \$1 billion, including television (\$10 billion), print (\$4 billion), digital media (\$3.7 billion), filmed entertainment (\$2.8 billion), animation and visual effects (\$1.5 billion), live events (\$1.3 billion), and online gaming (\$1.2 billion).¹⁵⁵ Indian professional sports leagues together have also surpassed \$1 billion in annual revenue.¹⁵⁶

Unsurprisingly, technology-driven subsectors are growing the fastest. These include online gaming (43 percent), digital media (23 percent), and animation and visual effects (18 percent). Nevertheless, traditional sectors such as television, print, and radio are still growing even as these sectors struggle in many developed nations. One interviewee noted that the continued growth of traditional media industries may reduce interest in India’s large media houses in pursuing expansion into digital media.

While understandable, if this continued focus on traditional media becomes a long-term trend, it presents two risks. First, less Indian content could be available on the growing world market. Second, foreign-based digital media companies could have a dominant position in India—and trigger a regulatory backlash. Even today, less than half of Indian citizens are regularly on the internet.¹⁵⁷ So, the battle for digital viewers will grow more intense as internet penetration expands.

Respondents indicate that the presence of foreign digital media firms such as Netflix and Amazon Prime has been well received thus far. These foreign firms are helping to create and highlight Indian content for the world while not presenting a major challenge to India’s existing media houses. This will certainly change over time as Indian digital content carriers expand and begin competing head-on with foreign firms.

Foreign digital media players themselves are not monolithic. Some are choosing to produce content that will likely sell in India but have a small market share outside India. Others are choosing to develop content that could have crossover appeal. One powerful example has been the recent Netflix show *Indian Matchmaking*, which attempts to blend India’s tradition of arranged marriage with the international appeal of matchmaking shows.¹⁵⁸

As one respondent highlighted, the fast growth of digital media will have a transformative impact in India by opening the door to easier content creation. This will help expand the number of revenue-earning content creators and widen the market by catering to India’s regional languages and cultures.

155 Ashish Pherwani “How Will the M&E Sector Navigate the Era of Consumer A.R.T.?” EY, March 27, 2020, https://www.ey.com/en_in/media-entertainment/ficci-ey-media-and-entertainment-report-2019.

156 “India - Sports Industry Market Size 2018,” Statista, <https://www.statista.com/statistics/1029883/india-sports-industry-market-size/>.

157 “Digital in India: 2019 – Round 2 Report,” Nielsen, <https://cms.iamai.in/Content/ResearchPapers/2286f4d7-424f-4bde-be88-6415fe5021d5.pdf>.

158 Charukesi Ramadurai. “Indian Matchmaking: The Reality Show That’s Divided Viewers,” BBC, August 9, 2020, <https://www.bbc.com/culture/article/20200806-indian-matchmaking-the-reality-show-that-s-divided-viewers>.

One example of the global interest in village life is the viral YouTube videos created by developers in Southeast Asia. These rising stars showcase their building and survival skills and have found global appeal.¹⁵⁹ India has a few rustic hits of its own, such as the Village Cooking Channel. Six Tamil farmers reportedly make over \$9,000 a month due to the channel's success.¹⁶⁰

Before the Pandemic Struck

Even before Covid-19 began to hammer the global economy, India's own domestic economy was noticeably slowing. The nation's GDP grew at around 8 percent in both 2015 and 2016, then began to steadily decelerate down to 5 percent growth in 2019.¹⁶¹ While analysts predicted a slight acceleration in 2020, such predictions had earlier proven premature.

The reasons for India's economic deceleration are varied, as with any large, complex economy. But analysts typically point to a few significant factors including¹⁶²: (1) increased recognition of the high percent of bad debts held by India's banks and non-banking financial companies; (2) the related precarious debt situation of India's large conglomerates; (3) a decline in rural demand; (4) difficulties in adapting to major policy changes such as the national goods and services tax (GST); and (5) the "demonetization" exercise that took high-value currency out of the system in 2016.

The Modi government appeared to be refocusing policymaking attention on igniting the economy. Some reforms that had been dropped in the government's first term are now taking place, such as adding labor flexibility and improving operations at India's major ports. The government also announced a major corporate tax cut in September 2019 to make India's rate more competitive compared to regional peers.

Indian officials also aspire to begin attracting a larger share of global manufacturing supply chains. The size of India's domestic market paired with "ease of doing business" reforms and the United States' widening trade fight with China created a good mix of factors that could help boost India's manufacturing sector. However, structural problems with the investment environment such as the relative lack of infrastructure, onerous land and labor regulations, and difficulties in achieving legal remediation in disputes continue to pose challenges that many investors prefer to avoid.

Press reports indicate many companies may be accelerating plans to reduce their reliance on China as a global manufacturing hub due to Covid-19.¹⁶³ The government of India has created new workstreams during the Covid crisis to think through steps the government can take to attract more manufacturing investment.

To improve the nation's investment climate, the Modi government had pursued a strategy of getting states to improve their own business environments through twin initiatives dubbed "Cooperative

159 Tibor Krausz, "Asian Wilderness Survival: Five YouTube Stars and Their Video Hits," *South China Morning Post*, August 12, 2018, <https://www.scmp.com/lifestyle/travel-leisure/article/2159108/wilderness-survival-five-asian-youtube-stars-getting>.

160 "This YouTube Channel By Indian Farmer-Chefs Features Feasts From The Village And Beyond," *International News Headline*, April 23, 2020 <https://internationalnewsheadline.com/this-youtube-channel-by-indian-farmer-chefs-features-feasts-from-the-village-and-beyond/>.

161 "GDP Growth (Annual %) - India," World Bank, <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=IN>.

162 "India Development Update," World Bank, July 2020, <http://documents1.worldbank.org/curated/en/342001596823446299/pdf/India-Development-Update.pdf>.

163 Jesse Lin and Christian Lannig, "Here's How Global Supply Chains Will Change after COVID-19," *World Economic Forum*, May 6, 2020, <https://www.weforum.org/agenda/2020/05/this-is-what-global-supply-chains-will-look-like-after-covid-19/>.

Federalism” and “Competitive Federalism.” States are now given a larger share of federal tax revenue, ranked according to their business environment competitiveness, and engaged more regularly on trade policy matters. This is important as many facets of India’s business environment are in the purview of the nation’s 28 state leaders. However, the Modi government’s push to hold states accountable for their business environment has been on pause; the last ranking of states (through the Business Reform Action Plan) was released three years ago.

Covid-19 and the Creative Industries

Economic growth estimates for India have plummeted since the onset of Covid-19. The International Monetary Fund expects the Indian economy will contract around 5 percent this calendar year. Growth is expected to bounce back to 6 percent in 2021, but predicting the future of Covid-19 is tricky.

The impact of Covid-19 on India’s creative industries shares similarities and differences with other markets. Some areas where the impact has been similar would relate to the closure of in-person entertainment options. The high-powered Indian Premier League (cricket) will play in the United Arab Emirates (UAE) for its 2020 season.¹⁶⁴ India’s professional Kabaddi League postponed its summer season and is looking at options to play in the fall. India’s movie theatres and concerts have been shut down in line with Covid-19-triggered lockdowns. The same is true for art exhibitions and other live arts programs.¹⁶⁵

Per a July 2020 report from the British Council, FICCI, and ArtX, around 33 percent of respondents in the creative industries reported at least a 50 percent drop in their annual income since Covid-19 hit the nation; 15 percent of firms expect annual income drops of at least 75 percent.¹⁶⁶ Unsurprisingly, 89 percent of firms reported an impact on their business due to social distancing rules and norms.

Digital entertainment has clear advantages during the pandemic due to contactless distribution channels. However, as noted earlier, internet penetration in India remains well below that of peer markets. Many Indian citizens have considerably less access to the creative arts during the Covid-19 lockdown than in peer markets. Still, India is a global outlier in some positive ways. For example, music streaming accounts for nearly 70 percent of the recorded music industry’s income.¹⁶⁷

Based on industry discussions, there was wide consensus that event revenue will see dramatic reductions in 2020, perhaps dropping as much as 50 percent. Traditional media such as television will drop less, and new media sectors could still achieve modest revenue gains over 2019. But everyone recognizes that the course Covid-19 will take in the future is highly unpredictable.

Some experts are looking for ways to positively reshape their sectors due to Covid-19. For instance, Blaise Fernandes, president of the Indian Music Industry, noted in a July column that movie theatres

164 “IPL 2020 to Be Played from 19th September to 10th November 2020,” IPL T20, August 2, 2020, <https://www.iplt20.com/news/206387/ipl-2020-to-be-played-from-19th-september-to-10th-november-2020>.

165 Multiplex Association Of India, Twitter post, July 30, 2020, 7:12 AM (Eastern Time), <https://twitter.com/MAofIndia/status/1288794646819160064/photo/1>.

166 “Taking the Temperature Report 1: Impact of Covid-19 on India’s Creative Economy,” British Council (India), August 4, 2020, https://www.britishcouncil.in/sites/default/files/ttt_report_4_aug_0.pdf.

167 “Vision 2022: India’s Roadmap to the Top 10 Music Markets in the World by 2022,” Indian Music Industry (IMI), <http://indi-anmi.org/be/wp-content/uploads/2018/10/VISION-2022.pdf>.

may take this moment to adapt in ways their counterparts in other nations have already done: pulling in live performances and hosting e-gaming and big picture sporting events.¹⁶⁸

The most explosive growth among creative sectors is naturally expected in those subsectors that leverage emerging development and delivery tools. The world is going, digital and entertainment is a pioneering industry. Indian consumers benefit from having among the lowest wireless data rates in the world. To underscore this point, the average global cost of one gigabyte of data is \$5 dollars. In India, the average price is nine cents.¹⁶⁹

However, as noted earlier, India is still witnessing growth of traditional media sectors. Expanding content in regional languages will be a growth driver. Today, content outside of English and Hindi makes up 50 percent of television viewership, 44 percent of film releases, 43 percent of newspaper circulation, and 30 percent of television content.¹⁷⁰

The continued growth of traditional media could provide a contradictory incentive to India's largest existing media houses against deploying money and talent toward digital sectors.

India still has two waves that will impact digitalization. The first wave revolves around half of the nation's population getting internet access. The second wave focuses on increased internet speeds. India today ranks 127th of the 138 nations covered in the Speedtest.Net ranking of mobile internet speeds and 75th of 174 nations in wired broadband speeds.¹⁷¹ While this second number seems more respectable, India has only 19 million wired broadband connections nationwide as of April 30, 2020.¹⁷²

As more Indian consumers get online, and get higher data speeds, the adoption of digital media will increase dramatically. India's large media houses will need to adapt, or they could lose market share to foreign players, which are often ahead in the adoption of digital content and platforms, or to India's own startups that focus on digital media. This scenario could trigger regulatory struggles as established players could utilize political connections to promote supportive regulations that harm foreign and startup competitors.

On a related note, expanding the digital footprint of India's creative economies helps open another key market: the Indian diaspora living abroad. An estimated 18 million Indians live abroad, providing a solid customer base in key external markets.¹⁷³

Like with India's prowess in the global information technology services sector, the prevalence of English can provide a boost to India's global ambitions in some creative economies where language

168 Blaise Fernandes, "Reopening India | Multiplexes Will Have to Reinvent Themselves," Moneycontrol, June 5, 2020, <https://www.moneycontrol.com/news/india/reopening-india-multiplexes-will-have-to-reinvent-themselves-5359141.html>.

169 "The Cost of 1GB of Mobile Data in 228 Countries - UK Ranks 59th Place in the World," Cable.co.uk, May 5, 2020, <https://s3-eu-west-1.amazonaws.com/assets.cable.co.uk/mobile-data-cost/1gb-mobile-data-research-press-release.pdf>.

170 Pherwani "How Will the M&E Sector Navigate the Era of Consumer A.R.T.?"⁹

171 "Speedtest Global Index - Monthly Comparisons of Internet Speeds from around the World," Speedtest Global Index, <https://www.speedtest.net/global-index#fixed>.

172 "Highlights of Telecom Subscription Data as on 30th April, 2020," Telecom Regulatory Authority of India (TRAI), July 24, 2020, https://www.trai.gov.in/sites/default/files/PR_No.50of2020.pdf.

173 Katharine Rooney, "India's Record-Breaking Diaspora in Numbers," World Economic Forum, September 30, 2019, <https://www.weforum.org/agenda/2019/09/india-has-the-world-s-biggest-diaspora-here-s-where-its-emigrants-live/>.

is key. This includes books, movies, television, radio, gaming, and more. Over 125 million Indians can communicate in English.¹⁷⁴ Indian content creators in these sectors will have an easier time connecting to global markets without the need to translate, create subtitles, or dub actors' voices.

Table 2: Nations with an Indian Diaspora Population Over 1 Million¹⁷⁵

COUNTRY	INDIAN DIASPORA
Canada	1,689,055
Kuwait	1,029,861
Malaysia	2,987,950
Myanmar	2,009,207
Saudi Arabia	2,594,947
South Africa	1,560,000
Sri Lanka	1,614,000
United Arab Emirates	3,425,144
United Kingdom	1,764,000
United States	4,460,000

What the Indian Government Can Do to Ensure Growth

India's vibrant creative economy sectors are mostly doing well despite the lack of focus by the government. There were relatively few supportive policies for these sectors that interviewees highlighted as particularly notable. In fact, interviewees repeatedly pointed out that the creative sectors that have been ignored by the government, or saw the lightest government intervention, tended to grow the fastest. Examples include the early days of private cable television and the Indian film industry.

There are some areas where proactive government support, both from the national and state level, would help boost the creative industries. Some of these potential interventions could include:

- **Intellectual Property Rights:** Respondents mostly agreed that India's issues around intellectual property protection had little to do with laws or regulations. The concerns mostly focused on weak enforcement. For example, 76 percent of internet users still admit to using pirated music. This is higher than Brazil (65 percent), China (64 percent), or Mexico (55 percent).¹⁷⁶
- **Capturing the Potential of Cottage Arts:** India has been running a major visual arts training program for years. Poor artisans create small works of paintings on silk paper, wood carvings of Hindu gods, and the like which are then sold in religious and tourism shops across the country. Despite this massive workforce, India only accounts for an estimated \$1.7 billion of the \$664 billion global demand for handicrafts.¹⁷⁷ This demand is expected to cross \$1 trillion by 2024.

174 Zareer Masani, "English or Hinglish? India's Choice," BBC News, November 27, 2012, <https://www.bbc.com/news/magazine-20500312>.

175 "Population of Overseas Indians," Ministry of External Affairs, http://mea.gov.in/images/attach/NRIs-and-PIOs_1.pdf.

176 "Digital Music Study 2018," Indian Music Industry (IMI), <http://indianmi.org/be/wp-content/uploads/2018/10/Digital-Music-Study-2018.pdf>.

177 "Global Handicrafts Market to Reach US\$ 1091.2 Billion by 2024, Influenced by Burgeoning E-Commerce Sector," IMARC, <https://www.imarcgroup.com/global-handicrafts-market>.

Helping Indian artisans improve their work, cater to global tastes, and access global markets could allow India to become a critical player in this sector. Some nascent attempts to connect Indian artisans to the world are underway but have not yet been able to achieve meaningful scale.

- **Reduce Pricing Interventions:** As with many sectors, the government remains suspicious of the private sector. Among the creative sectors, this is most evident in television distribution. The government's television carriage regulator, the Telecom Regulatory Authority of India, retains controls over the pricing of television content. These pricing restrictions have kept India's cable television prices at low levels, but they also stifle distributors' incentives to invest in their networks, lowering the quality of content and deterring infrastructure upgrades that could boost digital connectivity. In a somewhat similar issue, the Copyright Board Order assigns 2 percent of net advertising revenue received by music distribution firms to be paid to record labels.
- **Importance of Data Flows:** The Indian Parliament is considering legislative changes that would potentially limit India's domestic and international data flows. The first is the Personal Data Protection Bill, introduced to parliament in December 2019.¹⁷⁸ This bill, if passed, could limit some types of data flows outside India, create a new data controller, and impose new restrictions on social media firms, among other impacts. Second, a draft Information Technology [Intermediaries Guidelines (Amendment) Rules], 2018 could impose rules on how internet intermediaries host content.¹⁷⁹ This includes a provision that intermediaries with more than 500,000 users in India must establish an office in India. Laws and regulations like these could deter foreign digital media firms from building operations in India. And if counterparty nations look to impose similar regulations as a result, India's digital media firms may have a more difficult time going overseas.
- **Ensuring an Even Playing Field Between Increasingly Related Sectors:** Indian consumers have a much wider set of choices to access content today than they did 20 years ago. Whether looking at radio, newspapers, landline internet, telecommunications, cable television, satellite television, or other platforms, the differences between what these services can do becomes more blurred every year. It is important that India's sectoral regulators provide even regulatory environments for these sectors wherever feasible. Interventions in areas such as content regulation, pricing, and foreign equity limitations can provide a boost to one set of players at the expense of others. Over 15 years ago the government looked at a "Convergence Bill" to bring together these disparate sectors.¹⁸⁰ While the hurdles to such a reform were insurmountable at the time, the sentiment is even more critical today.
- **Focus Support to Start-ups and Small/Medium Businesses:** The hurdles a firm may find in the creative sectors can more easily be overcome by larger firms with more resources. A prime example would be legal disputes: a larger firm with experience in handling such disputes would be more comfortable seeking legal remediation, such as a payments dispute with a supplier. A recent report by the British Council, FICCI, and ArtX notes that around 88 percent of the total income of India's creative sector comes from small and medium businesses.

178 "The Personal Data Protection Bill, 2019," PRS Legislative Research, <https://www.prsindia.org/billtrack/personal-data-protection-bill-2019>.

179 "Draft Information Technology [Intermediaries Guidelines (Amendment) Rules] 2018," PRS Legislative Research, <https://www.prsindia.org/billtrack/draft-information-technology-intermediaries-guidelines-amendment-rules-2018>.

180 Richard M. Rossow, "U.S.-India Insight: Reviving the Convergence Bill," CSIS, April 27, 2017, <https://www.csis.org/analysis/us-india-insight-reviving-convergence-bill>.

- **Simplify Process for Foreigners to Film in India:** The foreign-based organizations interviewed for this report highlighted the continued difficulties for foreign production firms to get easy access to shoot film in India. The approval process is Byzantine, and the type of support offered for foreign films in other key markets is not found in India. India's low labor costs, existing pool of film and production staff, and multiple geographies (from snowy mountains to barren deserts) is a powerful mixture to attract global television and film studios.
- **Targeted Government Support to Global Sports:** India has become a leader in creating professional leagues for a few sports such as cricket, kabaddi, and field hockey. However, the global appeal and commercial scale of these sports apart from cricket is limited. India is becoming a larger consumer nation for globalized sports such as soccer and basketball. To capitalize on the global commercial reach of these sports, the central government and state governments can channel greater resources to produce athletes and awareness in these sports, allowing India to collect a greater share of global commercial benefits in the future. India has already enjoyed relative success in tennis, with several Indian players achieving high global rankings.

Many of these policies and incentives are not simply an agenda for India's central government. India's 28 states play a significant role in shaping the nation's commercial environment. States can play important roles in shaping many of the policy issues outlined above, such as simplifying filming approvals, offering support to start-ups and small businesses, enforcing intellectual property protection, supporting interest in global sports, and capturing the potential of cottage arts.

Thoughts on Job Creation and Upskilling

The creative economy sectors do have the potential to meaningfully contribute to job creation in India. This is true both for skilled and unskilled positions. The digitization of the creative economies, paired with the higher level of digital-savviness of youth, could help specifically in creating opportunities for India's emerging youth bulge. Some of the ways the creative economies could boost India's employment include:

- **Cable Television/Broadband Modernization:** India's cable television networks require modernization. Price controls and informality have limited providers' interest in making major improvements to their networks. But as price controls ease, transparency improves, and Indian incomes rise, there is likely to be a need to modernize India's cable television networks. This would involve unskilled, skilled, and semi-skilled employees to build the physical infrastructure, make the new home connections, and build out the regional systems integrators.
- **Television/Film Production:** India already has a solid base of talent for producing television and film. Respondents note a strong ethos of apprenticeship in the entertainment sector. Many skilled personnel such as cameramen tend to learn on the job, rather than having a formal education. Support for foreign studios to shoot in India will augment the expected growth for India's domestic television and film sectors.
- **Online/Digital Gaming:** The global digital/ online gaming market is exploding, with expected revenue of more than \$160 billion in 2020, which could grow to \$256 billion in the next five years.¹⁸¹ India has the domestic market size and technology-capabilities to become a global leader

181 Tom Wijman, "Newzoo's Games Trends to Watch in 2020," Newzoo, December 12, 2019, <https://newzoo.com/insights/articles/newzoos-games-trends-to-watch-in-2020/>; "Gaming Market - Growth, Trends, Forecasts (2020 - 2025)," Mordor Intelligence, <https://www.mordorintelligence.com/industry-reports/global-games-market>.

in gaming. Global gaming majors are already leveraging India as a back office for development. This could lead to more Indian-owned intellectual property in the future.

- **Digital Entertainment Content Creation—For India and the World:** The internet has democratized content creation and simplified methods for monetizing entertainment content. Every Indian citizen with a smartphone, internet access, and creative ideas can earn income doing basic things such as cooking, online gaming, or even opening presents online.¹⁸² This is true even for India's domestic market, as the barriers to create content in regional language are reduced due to digital tools.
- **From “Multiplex” to “Multipurpose Facility”:** Movie theatre stages can shift to become home to a range of types of creative performances, both live and digital. Among other uses, performers in visual arts would have new options to stage performances, and people can gather for shared experiences during major sporting events. This will boost employment at multiplexes to accommodate increased usage in addition to reducing the barriers to entry for groups that want to organize such events.

These examples only focus on the direct jobs created through expansion of creative sectors of the economy. There are obviously going to be many other jobs indirectly created, such as concession-sellers at sports venues, admissions staff at arts venues, and creators of branded content like sports apparel.

182 Madeline Berg, “How this 7-Year-Old Made \$22 Million Playing with Toys,” *Forbes*, December 3, 2018, <https://www.forbes.com/sites/maddieberg/2018/12/03/how-this-seven-year-old-made-22-million-playing-with-toys-2/#629a8e0b4459>

Box 5: Threats to Intellectual Property

Copyright patents and other intellectual property (IP) protections are key to enabling creative industries. While IP is poorly protected in some Indo-Pacific economies, recent policy reforms offer room for optimism. In April 2020, the Office of the United States Trade Representative identified China, India, Indonesia, Thailand, and Vietnam among the 33 countries on a watch list for significant IP concerns.¹⁸³ China is a particularly flagrant violator of IP norms. In 2019, nearly a third of CFOs of North America-based firms reported that Chinese firms had stolen from them in the past decade.¹⁸⁴ Despite this record, in March 2020, Beijing sought to nominate a Chinese director general for the World Intellectual Property Organization (WIPO), which is tasked with protecting patents and trade secrets.¹⁸⁵ After a worldwide campaign against China's favored candidate, a WIPO committee selected Daren Tang, an official from Singapore, to fill the post.¹⁸⁶ Sustained pressure from other countries, including the United States, has resulted in preliminary Chinese commitments to crack down on IP theft.¹⁸⁷

While India ranks low on international IP indices, recent policy reforms signal the government's strong commitment to improve. In the 2020 Chamber of Commerce International Intellectual Property Index, India ranked 40th out of 53 countries.¹⁸⁸ Steady improvements have raised its standing over the last few years. Court orders against piracy and trademark infringements have increased protections for creative industry leaders.¹⁸⁹ India could also be signaling a willingness to join international IP treaties after signing a memorandum of understanding on IP protections with the United States in February 2020.¹⁹⁰

183 "USTR Releases Annual Special 301 Report on Intellectual Property Protection and Review of Notorious Markets for Counterfeiting and Piracy," Office of the U.S. Trade Representative, April 29, 2020, <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2020/april/ustr-releases-annual-special-301-report-intellectual-property-protection-and-review-notorious>.

184 Eric Rosenbaum, "1 in 5 Corporations Say China Has Stolen Their IP within the last year: CNBC CFO Survey," CNBC, March 1, 2019, <https://www.cnbc.com/2019/02/28/1-in-5-companies-say-china-stole-their-ip-within-the-last-year-cnbc.html>.

185 Daniel F. Runde, "Trump Administration Wins Big with WIPO Election," *The Hill*, March 9, 2020, <https://thehill.com/opinion/international/486590-trump-administration-wins-big-with-wipo-election>.

186 Ibid.

187 U.S. Chamber of Commerce Global Intellectual Property Center, *Art of the Possible: U.S. Chamber International IP Index, Eighth Edition* (Washington, DC: U.S. Chamber of Commerce, Feb. 2020), 9, https://www.theglobalipcenter.com/wp-content/uploads/2020/02/023881_GIPC_IP_Index_2020_FullReport_A_04b.pdf.

188 Ibid., 8-9.

189 Ibid., 139.

190 "India, U.S. Ink Pact on Intellectual Property Rights," *Economic Times*, August 18, 2020, <https://economictimes.indiatimes.com/news/international/business/india-us-ink-pact-on-intellectual-property-rights/articleshow/74218241.cms>.

Lessons from the Indo-Pacific

Many creative industries, particularly film and television, video games, and music, have shown remarkable resilience in the face of the Covid-19 crisis. Their success has largely involved industry leaders who reach out to audiences abroad, embrace technology, and are willing to compete with large, global platforms. The fashion industry has not adapted as quickly, in large part due to its reliance on brick-and-mortar stores, but opportunities remain if it can adapt to the digital age. These observations yield recommendations for creative industry leaders.

In addition to promoting economic resilience, creative economies are a source of soft power, highlighting their country's values, attracting audiences overseas, and providing a clear contrast with China. Given the importance of creative economies, policymakers have a strong motivation to create the enabling conditions for their success.

The India and Australia case studies yield several lessons on the policies needed for the creative economy to flourish. In both contexts, private firms rely on public goods such as digital infrastructure, legal protections, and education to succeed. Where intellectual property is in doubt or communities lack education, electricity, or internet access, the private sector is less robust. The Australia case illustrates the importance of protecting Indigenous artists from exploitation, and the India case study reveals the importance of language and cross-cultural training. While the Australian case study suggests that tax credits can be an effective tool to promote films and other creative industries, the India case study indicates that incentives are not always necessary. Finally, to convert culture into soft power, countries must take credit for their work. India's reputation is linked to Bollywood films, but Australia, as successful as its films have been, is not as strongly associated with the industry. These observations yield the following lessons that can be applied by policymakers:

1. Play to the Crowd

Given the rising interest of international audiences in global cultures, creative industry leaders in the Indo-Pacific should consider how viewers abroad will consume their content. While many viewers are looking for a window into another culture, others may also want to see familiar themes, character archetypes, and storylines. The South Korean film *Parasite*, for instance, offers a commentary on Korean politics and culture while also resonating with audiences abroad through its universal themes of family bonds and social inequality. Creators should identify the balance that best suits their interests and intended audience.

2. Embrace New Technologies

Industry leaders must embrace the rising opportunities of digitalization. In order to recover faster, industries must embrace online platforms and the new conditions caused by Covid-19. These developments have been widely adopted in the film, gaming, and music industries, but the fashion industry has struggled due to its dependence on traditional methods of production and consumption.

3. Operate with Confidence

Creative industry leaders should not underestimate their respective strengths and abilities in competing with larger, incumbent firms. While U.S.-based streaming services such as Twitch and YouTube draw on a global userbase, firms based in South Korea, Singapore, and Taiwan have shown their ability to compete for local users in the sector. Small countries frequently offer an unexpected comparative advantage, and creative entrepreneurs should not ignore these opportunities even if the probability of success seems low.

4. Invest in Public Goods

Policy makers should provide public goods that allow people to engage with the creative economy. Digital infrastructure is a key public good, as internet and electricity access are a basic necessity for people to engage with creative products. Governments and aid agencies should also embrace Fourth Industrial Revolution (4IR) innovations, such as microgrids, to reach communities that are disconnected from the national electricity grid. Legal infrastructure is also important to protect the work of people in the creative industry. Intellectual property protections provide a necessary incentive for people to share their work, and protections for free expression guarantee that artists will not be punished for their work. Governments must also invest in education, including digital and creative skills, for their citizens to compete in the digital economy.

5. Protect the Brand

Governments must protect Indigenous groups and encourage their artistic output. This policy goes hand-in-hand with the legal infrastructure provided to all creative industry workers. Australia's resale royalty scheme can provide a blueprint to other countries looking to prevent exploitation, but countries can also do more to combat forgery and fraud through intellectual property laws.

6. Create and Expand Cultural Exchange Programs

Policy makers should expand cultural exchanges and language programs, both for foreign nationals and their own citizens. By welcoming people from other countries, governments can promote their values and create a new audience for cultural exports. By training their own students in global languages and funding them to travel abroad, Indo-Pacific policy makers can foster a new generation of leaders with global experience. These leaders can use language skills in business and diplomacy, will be better able to connect with foreigners, and can draw on outside expertise to solve pressing challenges. Language education can even benefit national cohesion; as the India case study demonstrates, linguistically diverse countries can use language courses to connect distinct regions.

7. Walk the Tightrope

Governments should carefully weigh the pros and cons of subsidies and tax credits. While Australia has had some success using tax credits to incentivize film production, greater levels

of government intervention may do more harm than good. Some countries will choose to subsidize creative industries because they are a source of soft power. Others will choose to stay out of the market, allowing the most competitive industries to flourish. In still other cases, public-private partnerships may best serve the purposes of the public sector with the flexibility of the private sector. No matter which approach a government chooses, they should be upfront with their goals and allow outside experts to evaluate policy proposals on an individual basis.

8. Hold the Spotlight

Countries must take credit for their cultural exports. Australian movies are successful, but few people know that they are from Australia. India's global reputation, by contrast, is strongly linked to the success of the Bollywood film industry. By taking credit for their cultural products, Indo-Pacific nations can better translate culture into soft power. When meeting with foreign leaders or speaking to audiences abroad, leaders can highlight their country's cultural exports to demonstrate their values and appeal to a larger untapped audience.

The Role of the Creative Economy in the New Southbound Policy

Taiwan already enjoys the status of being a global leader in the culture and creative economy sector. Taiwan's government has recognized the significant role in developing economic resilience and its inherent value as a tool for soft power and diplomacy. The actions proposed in this report can bolster the domestic creative industries of many emerging market economies, especially the ones in the Indo-Pacific Region. To that end, the Taiwanese government can consider operationalizing these recommendations through its own diplomatic efforts and by exporting its values and expertise.

In September 2016, President Tsai Ing-wen launched a holistic strategy toward the Indo-Pacific, the New Southbound Policy, which looked at strengthening Taiwan's engagement with 18 countries, including those in the Association of Southeast Asia Nations (ASEAN), the South Asian subcontinent (India, Pakistan, Bangladesh, Nepal, Sri Lanka, and Bhutan), and Australia and New Zealand.¹⁹¹ The policy aims to leverage Taiwan's cultural, educational, technological, agricultural, and economic assets to enhance the government's regional integration and promote the broader development of the Indo-Pacific region through its four pillars¹⁹²:

- Promote economic collaboration;
- Conduct people-to-people exchanges;
- Enhance resource sharing; and
- Forge regional links.

Taiwan's creative economy is integral to each of the four pillars but appears to be particularly useful under the third pillar, calling for **enhanced resource sharing**. Under this pillar, there is an emphasis on the use of film, broadcasting, and online games as a strategic soft power tool to promote Taiwan's culture in the Indo-Pacific Region.¹⁹³ Taiwan is a leader in the creative industries in Asia, and many countries would benefit from exchanges with Taiwanese experts. For example, the Taiwan-Asia

191 Bonnie Glaser, Scott Kennedy, Derek Mitchell, and Matthew P. Funairole, *The New Southbound Policy: Deepening Taiwan's Regional Integration* (Washington, DC: CSIS, January 2018), 1, <https://www.csis.org/analysis/new-southbound-policy>.

192 Ibid.

193 Ibid.

Exchange Foundation and the Vietnam National Institute of Culture and the Arts Studies have partnered to create art programs, artist-in-residence projects, and various workshops.¹⁹⁴

In its 2019 report on *Lessons for Building Creative Economies*, CSIS highlighted and raised Taiwan's own exportable success stories with the creative economies.¹⁹⁵ By protecting intellectual property rights, promoting democracy and freedom of speech, and providing financial incentives to support small- and medium-sized creative enterprises, Taiwan has offered the developing world a model to create the conditions necessary for a strong creative economy.¹⁹⁶

The Taiwanese creative industry leaders have already shown interest in competing with incumbent firms with an international footprint. While Netflix holds a large share of the global streaming market, Taiwan-based CatchPlay offers a less expensive alternative to customers in Taiwan, China, Hong Kong, and Macau.¹⁹⁷ Taiwanese content creators are in a unique position to build on these forays into the global entertainment industry and translate Chinese themes for foreign audiences. One of the most liberal and democratic societies in the Indo-Pacific, Taiwan can increase the general trust-levels in the region by raising its general awareness and familiarity with Taiwanese culture, its history, and its story of freedom.

Finally, the Taiwanese model of government-industry relationship in the creative economy space is one that needs to be emulated. This relationship has already allowed for the establishment of strong intellectual property laws and the protection of free speech, both of which create the right structures to promote talent in Taiwan's cultural and creative sector. These values can also be cultivated among Taiwan's neighbors by expanding its cultural, educational, and language exchange partnerships and allowing for students and scholars from other countries in the region to experience the Taiwanese "way of life." Such an expansion of exchange opportunities will be a step in the right direction as Taiwan strives to build new bilateral partnerships, create new markets for its creative economy, and strengthen the overall security of the Indo-Pacific.

The world has already benefited tremendously from Taiwan's political freedom, economic prowess, and scientific ingenuity. By integrating the success of its creative economy with diplomacy, Taiwan can be more effective in implementing its *New Southbound Policy* and help secure a free and open Indo-Pacific.

194 Ibid.

195 Daniel F. Runde and Christopher Metzger, *Lessons for Building Creative Economies* (Washington, DC: CSIS, December 3, 2019), 4-9, <https://www.csis.org/analysis/lessons-building-creative-economies>.

196 Ibid.

197 Ardiansyah Lubis, "CATCHPLAY: Price, features and content," Finder Indonesia, October 16, 2019, <https://www.finder.com/id/internet-tv/catchplay>.

About the Project Director and Authors

Daniel F. Runde is senior vice president, director of the Project on Prosperity and Development, and holds the William A. Schreyer Chair in Global Analysis at CSIS. A global thought leader and change agent, his work centers on leveraging U.S. soft power and the central roles of the private sector and good governance in creating a more free and prosperous world. Mr. Runde has been recognized for influencing the debate on USAID-State Department relations, as an architect of the BUILD Act, and led the debate surrounding the role and future of the World Bank Group. Mr. Runde has also influenced thinking about U.S. economic engagement with Africa (of which he is in favor of much more) and domestic resource mobilization. Mr. Runde holds the Officer's Cross in the Order of Isabel la Católica, a Spanish Civil Order. Previously, Mr. Runde held senior leadership roles at the International Finance Corporation (IFC). From 2005 to 2007, he was director of the Office of Global Development Alliances (GDA) at USAID, and he led the GDA partnership initiative by providing training, networks, staff, funds, and advice to establish and strengthen public-private partnerships. His efforts at USAID leveraged \$4.8 billion through 100 direct alliances and 300 others through training and technical assistance.

Richard M. Rossow is a senior adviser and holds the Wadhwani Chair in U.S.-India Policy Studies at CSIS. In this role he helps frame and shape policies to promote greater business and economic engagement between the two countries. He joined CSIS in 2014, having spent the last 16 years working in a variety of capacities to strengthen the partnership between the United States and India. Prior to CSIS, he served as director for South Asia at McLarty Associates, leading the firm's work for clients in India and the neighboring region. From 2008 to 2012, Mr. Rossow was with New York Life Insurance company, most recently as head of International Governmental Affairs, where he developed strategic plans for the company's public policy and global mergers and acquisitions work. From 1998 to 2008, Mr. Rossow served as deputy director of the U.S.-India Business Council (USIBC), the world's leading advocacy group on behalf of strengthening economic ties between the United States and India. While at USIBC, he managed the Council's policy groups in the energy, information technology, insurance, media and entertainment, and telecommunications sectors. Mr. Rossow received his BA from Grand Valley State University in Michigan.

Christopher H. Metzger is currently pursuing a master's degree in Global Human Development at Georgetown University's Walsh School of Foreign Service. He previously served as a research associate for the Project on Prosperity and Development (PPD) at the Center for Strategic and International Studies (CSIS) and traveled to Sydney and Canberra, Australia, in March 2020, along with Project Director Daniel Runde as part of the research for this publication. Chris also coauthored CSIS's 2019 report, *Lessons for Building Creative Economies*, and traveled to Taipei, Taiwan, and Jakarta, Indonesia,

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Blair F. Sullivan is a research intern with the Project on Prosperity and Development at the Center for Strategic and International Studies (CSIS). Prior to joining CSIS, she interned for Alluvus, a D.C. marketing and public relations agency. Ms. Sullivan speaks Spanish and is currently pursuing her BA in Global Studies and English at Colby College. She studied abroad in Salzburg, Austria and plans to spend a semester in Geneva, Switzerland. Her research interests include migration and forced displacement, conflict-aware stabilization, human rights, diplomacy, development, and democratization particularly in Southeast Asia.

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